



Asda's three-year struggle for sales growth

Following a tumultuous few years, the grocer has returned to like-for-like growth thanks to investment in product quality, in-store availability and customer service. **Luke Tugby** reports

After three years of sales decay, Asda has finally turned a corner. The supermarket giant has returned to growth, with like-for-like sales climbing 1.8% in the 13 weeks to July 28, in contrast to a 7.5% drop in the comparable period last year.

When the grocer's sales inched up 0.5% in the second quarter of 2014, it could not have predicted the long, hard slog that would follow to return to positive territory.

As the discounters ramped up their growth, Asda's core unique selling point – its value proposition – slowly became irrelevant in the eyes of the consumer.

Distressed market

Shoppers' heads were slowly being turned and the warning signs were there for Asda as like-for-likes barely crept above flat in the first two quarters of 2014.

Its mainstream rivals attempted to hit back through promotions and vouchering, a strategy Asda's then-boss Andy Clarke refused to adopt.

As a result, like-for-like sales slipped 1.6% in the 13 weeks to September 30, 2014, but Clarke insisted at the time he was "pleased with Asda's performance in a distressed market".

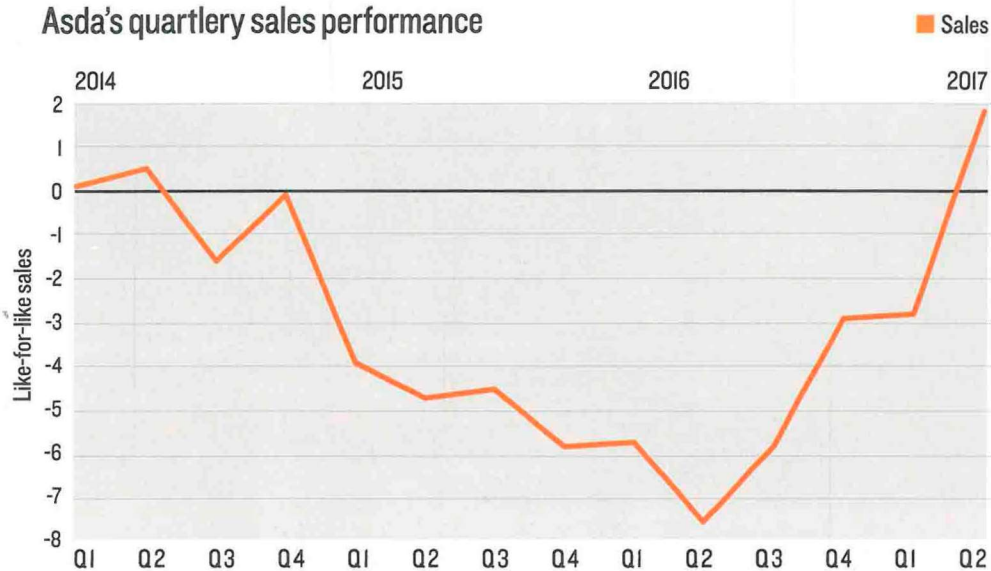
On the new grocery landscape the discounters created, Clarke added: "A new reality is upon us and although we were the first to adapt, we need to do everything to remain ahead of our traditional competitors while removing reasons for customers to go to the small discount shops.

"That's the strategy we are on and we need to keep accelerating it. We won't be knee-jerked into reacting to short-term tactics.

"Vouchers can win quarters, but strategies win decades."

Two more periods of decline followed before Asda hit what Clarke labelled the

Asda's quarterly sales performance



grocer's "nadir" – a 4.7% slump in the second quarter of 2015.

The highly promotional landscape was again blamed for Asda's downturn in fortunes, but there was more to its fall from grace than that. Aldi and Lidl's confidence in their UK operations was growing and they began to invest more and more in quality, wooing even more shoppers in the process.

Asda's lack of a convenience business was starting to hinder its growth, as the likes of Tesco, Sainsbury's and the Co-op benefited from the shopping habits of time-poor consumers.

And by the middle of 2015, Tesco's new boss Dave Lewis – parachuted in from Unilever in September 2014 – was starting to have an impact, not just on the fortunes of his own employers, but on Asda, too.

When Asda's sales tumbled 5.8% in the final 13 weeks of 2015, Clarke said its poor golden-quarter performance was impacted

by a resurgent Tesco, claiming the Christmas recovery of Britain's biggest retailer "surprised us all".

By that point, Asda had suffered six consecutive quarters of decline – and parent company Walmart was starting to get twitchy.

Just a month after posting a 5.7% drop in sales during the first quarter of 2016, Walmart revealed that Clarke was to step down and be replaced by the boss of its Chinese arm, Sean Clarke.

One of his first duties was to unveil Asda's worst ever quarterly performance – a 7.5% nosedive in like-for-like sales during the three months to June 30, 2016 – as Walmart insisted it was battling to transform the grocer's fortunes "with urgency".

Investing in price

Clarke was given the green light to plough investment into price, the first two waves of which came last September, while time and money was also ploughed into improving product quality, in-store availability and customer service.

Since then, Asda has backed up Walmart's regular claims of "sequential improvement", gradually improving its performance on a quarter-by-quarter basis.

Yet this recent sales increase, while providing a platform to build upon, by no means marks the end of Asda's recovery.

As Walmart chief executive Doug McMillon rightly put it: "There's still much more to be done, but we're clearly headed in the right direction."

Clarke's challenge will be to keep that momentum going in what remains a turbulent market. **RW**

1.8%

like-for-like sales growth
by Asda in the 13 weeks
to July 28

"There's still much to be done, but we're clearly headed in the right direction"
Doug McMillon