Stake holder mapping: organisational and environmental audits

Business strategy in basic terms is the means in which a business sets out to achieve its desired ends (objectives). Business strategy is a way in which a company conducts its self (the way it goes about its business), it is long-term business planning which includes the requirements of resources necessary to reach their particular objectives. It is the well thought out (or planned if you like) development of resources the business has at its disposal to achieve specific objectives it has against their competition.

A stakeholder is anybody or a group who have an interest in or influence on what a business does and how it performs because they can be affected by the decisions a business makes; they usually stand to gain or lose depending on the decisions taken by the organisation or the policies it implements.

Three different types of stakeholder groups exist these are Internal (employees, managers), Connected (Shareholders, Customers, Suppliers, Banks/Creditors) and External (Community & Pressure groups, Media, Government).

The different types of stakeholders have varying interests and these can clash and conflict against each other. For example, workers may want more pay – this will have an effect on the dividends for the shareholders.

Before planning strategies it is important for organisations like Tesco and Wal-Mart to conduct a stakeholder analysis. Stakeholder analysis is a process where stakeholders that are likely to be affected by an action that the organisation proposes are identified and then sorted out according to how much they can affect and be affected by the proposed action. This information is used to assess how the interests of those stakeholders should be addressed. A stakeholder analysis involves three main stages, these are detailed below:

Identify who your stakeholders are.

Assess / work out the power, influence, and interest so you're in a position to identify who you should focus on.

Build up a good understanding of the most important stakeholders, so you can keep them satisfied. It is also of importance to develop and maintain relationships with these stakeholders.

As mentioned above, firstly it is important to identify who your stakeholders are and in order to do this it is necessary to brainstorm and identify all your stakeholders.

Secondly, the needs and interests of the stakeholders need to be identified and then stakeholder mapping needs to be conducted. In conducting the mapping of stakeholders the grid below is used to help you sort out the stakeholders in terms of their power and interests.

Stakeholder mapping

Thirdly, it is vital that the stakeholders once mapped be kept satisfied and informed according to their influence on your strategies. The way this is to be done is explained further.

Stakeholders in group A only need monitoring and minimum effort is required.

Stakeholders in group B should be kept sufficiently informed as they might be able to influence the more powerful stakeholders; communication needs to be made to this group to ensure no major issues arise.

Stakeholders in group C are powerful but their level of interest is low, they should be kept informed but not so much that they become uninterested.

Stakeholders in group D are powerful and interested. It is important to co-operate with this group and a lot of effort should be made to keep them satisfied in order for successful strategies to be implemented.

The significance of a stakeholder analysis that you are in a position to understand as to which stakeholders may influence the strategies that you are trying to implement and therefore you are able to better plan or change strategies before implementing. Stakeholder analysis is important to make sure that you have successful outcomes for your intended projects; this would be achieved by understanding and co-operating with key stakeholders. By conducting a stakeholder analysis a business would be able to make better decisions and strategies also these strategies would be accepted by the stakeholders.

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Organisational audits:

SWOT analysis;

Strengths

Tesco is a powerful retail brand with a reputation for value for money, convenience and a wide range of products all in one store.

Market leader-Tesco is UK's largest grocery retailer.

Economies of scale- Tesco are in a good position to lower prices and beat off competition.

Range of store formats.

International growth.

Brand recognition.

Customer loyalty.

' Club card' scheme.

Tesco online- World's biggest online supermarket.

Weaknesses

Tesco is UK's largest grocery retailer because of the huge span of control it could leave it weak in some areas.

Flexibility-Tesco sells products across many sectors and may not have the flexibility of some of its more focused competitors like Morrisons.

Opportunities

Further international growth.

Tesco can take over, merge with, or form alliances with other global retailers.

New locations and types of store offer Tesco opportunities to exploit market development.

Expand product portfolio (non food retail)

Demographic changes.

Threats

Being number 1 in the UK means Tesco is target of competition

(Wal-Mart/Asda challenge)

Tesco are exposed to political problems in the countries that they operate in.

Rival retailers merging together such as Sainsbury's and Morrisons.

New government policies.

Value Chain Analysis;

Tesco

Hiring Staff

Skilled store workers.

Staff to occupy checkouts.

G-log (Transportation software)

Factory gate pricing.

EPOS (Checkouts), online shopping.

Customer research and product tests. Club card.

Itemised receipts.

Buy Branded products and also own label products

Retail outlets in prime positions.

Adverts on TV, flyers, magazines.

Distribution centres. Delivery to stores via Tesco vans, store in warehouses.

Price points. Good store design. Various ranges.

Car parking service

Price discounts on products, BOGOFF, promotional sales.

After sales service, delivering goods to consumer. Infrastructure

Human

Resources

Management

Technology

development

Procurement

LOGISITICS OPERATIONS LOGISTICS MARKITING SERVICE

IN OUT &

SALES

Environmental audits

PESTLE Analysis;

Political:

European Union (EU) – has the power to pass laws and regulations affecting all member states.

Trading policies- whether or not the government is involved in any trading agreements or boycotts.

Regulatory constraints- such as labeling, quality, safety.

Duties and levies.

People’s political concerns- for instance consumer boycotts of countries because of their foreign policy.

Economic:

Employment levels.

Rate of economic growth.

Inflation.

Price volatility- energy prices, rise in cost of raw materials meaning cost of production increases.

Exchange rates.

Social:

Demographic issues.

Consumer attitudes- e. g. attitude towards health, attitude towards foreign products or services.

Changing work patterns-e. g. 24 hour opening.

Education.

Religion.

Immigration.

Technological:

Radio barcodes- building a better supply chain.

Self-checkouts.

Cost effectiveness of products- energy saving techniques.

Online shopping.

Large scale databases- ‘ Club card’ scheme

Legal:

Employment legislation & trade union law.

Health & safety.

Sale of goods act.

Product safety.

Sunday trading acts 1994.

Codes of Advertising Standards and Practice.

Environmental:

Ethical issues.

Recyclable and non-wasteful packaging.

Pollution.

Porters 5 Forces:

Threats of new entrants

Rivalry

Bargaining power of suppliers

Bargaining power of buyersAmongst

Existing

Competitors

Threats of substitute products or services

Threats of new entrants:

Economies of scale (benefits of bulk purchases)

High barriers to entry (Start up capital)

Government legislation

Specialist knowledge

Brand identity

There are high barriers to entry in the industry that Tesco operate in however; Wal- Mart did enter the UK market by acquiring Asda who are one of its biggest rivals. Tesco have invested huge amounts in advanced technologies for instance in their distribution process using RFID technology also in their checkout and stock control system implementing EPOS this has impacts on new entrants as well as existing ones.

Bargaining power of buyers:

Customers strive for better quality products and services at the lowest possible price, in order to satisfy this it would be likely that profits would decline. The points below are reasons why customers might have power:

Less number of buyers.

Bulk purchases.

Ease of switching to a similar competitors product.

Information of other competitor’s products.

Customers are price sensitive.

The manner in which Tesco are able to avoid these powers is by a number of strategies, the champion one being their loyalty scheme- ‘ Club card’. They have been able to retain customers by rolling out this scheme; this has in turn helped Tesco in increasing profits. Tesco have been able to retain their customer base by adapting the ‘ every little helps’ strategy. They have met the needs of customers, ensured low prices and better choice and constantly have done promotions.

Bargaining power of suppliers:

There are a number of ways suppliers can put pressure on a business. If a supplier is able to affect a company’s margins then they have a lot of power. Examples of how suppliers may have power are listed:

Only a few suppliers of a particular product.

No substitute products.

More profit in supplying industry in comparison to buying industry.

Value of product to buyer.

Tesco are able to negotiate better prices from suppliers than other firms as they are number 1, it is Tesco who will dictate what price to pay the supplier. If the supplier does not agree with Tesco’s price then the supplier will no longer have a retailer to supply as Tesco would go else ware. Tesco also manage their supply chain effectively.

Threats of substitute products:

Where there is product-for-product substitution

Substitution can reduce demand for certain products, in the grocery industry that Tesco compete in, there are local shops and there are new trends of small chains of convenience stores springing up.

Tesco have their Metro and Express stores in local towns and in the city centres.

Rivalry amongst existing competitors:

Rivalry is the strength of competition between firms in the industry.

Tesco are in a highly competitive market and need to stay ahead of the competition. The competitive market that they operate in is changing constantly because of consumer tastes and trends. Tesco are innovative and focus on consumer wants. Tesco also focus on price and value, whilst still keeping added value in providing excellent customer service.

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Strategic positioning is where a business performs different activities from their competitors or performs the same types of activities as their competitors but in a different manner. In doing so, the business intends to position itself favourably in the consumers mind.

Another clearer definition given is ‘ Positioning is not what you do to a product; it is what you do in the mind of a prospect’ (Ries and Trout (1972)).

The manner that strategic positioning could be applied to Tesco is given below; these have been derived after my previous analysis.

Brand image – Tesco position themselves in customer's minds by being associated with good quality products, goods which are trustworthy and represent good value for money. Tesco show that they are good value for money by incorporating an ' Every Day Low Price' strategy they bench mark product prices with their competitors and apply lower prices to their own products. This is then shown across the store to magnify that they are good value.

Range of stores – The perception of a range of stores is that it will be seen as Tesco cater to a broad range of customers and is not targeting a particular type of customer (segmentation) also it will show convenience because of the location. Tesco put across that each store gives a different shopping experience.

Own brand products – Tesco offer a wide range of products this shows that they have a wide range of choice, also they have a strong own brand strategy which includes their Value, Tesco and Finest brands. Each of these is catered for different segments of the market and is exclusive to them.

Club card Scheme – Tesco have a store club card that works on the level of points, the more points a customer gets the greater the rewards. Customers would want to take advantage of this and Tesco would be successful in putting across that if a customer shops more they will save more and this will ensure Tesco retain customers.

Promotions – These influence the overall value image of Tesco to the consumer. Promotions are used to generate excitement in the stores. This would generate in the consumers mind that Tesco is a place that they will be able to pick up some bargains.

Eco-friendly – Tesco position their selves as an organisation that is environmentally friendly. They position this into the consumers mind by giving Club card points for being ‘ green’. Customers can earn points by Reusing bags, by choosing bag less deliveries when ordering online and by recycling- which includes mobile phones, old inkjet cartridges and aluminium cans.

Another positioning strategy deployed is Perceptual mapping. By using this tool you are able to find out how products or services are perceived according to the key attributes that customers value. It is also possible to see how far away the brand is from occupying the ideal position. By mapping the products or services together it becomes possible to compare and contrast them against one another. Each of the axis on the map would be labelled with variables.

I have mapped UK grocery retailers on the perceptual map below:

+ High (Price)

Marks & Spenser

Sainsbury’s

Tesco

+ High (Quality) – Low (Quality)

Asda

Aldi

Netto

Lidl

Low (Price)

It is important to note that ‘ positioning’ refers to the perception of the consumer of a product or service in relation to its competitors. It is important to ask yourself when conducting the perception map, what is the position of the product in the mind of the consumer?

Strategic positioning is also embedded when the product-market mix strategy is implemented. The product-market mix is short term for the products/services a firm sells (or a service which a public sector organisation provides) and the markets it sells them to.

This is a well known tool which is known as Ansoff’s matrix, as he was the person who drew it up.

The Ansoff’s matrix is shown below:

Ansoff’s matrix

Products

M

a

r

k

e

t

s

Current

New

Current

Market Penetration

Product Development

New

Market Development

Diversification

Market penetration is when you market the same product to the same people (product has not changed in any way). A business would need to identify how they could encourage the customers to buy. Tesco are able to successfully do this through competitive pricing, promotions (BOGOF, 3 for price of 2). Also Tesco are able to increase their existing customer's usage by the way of their Club cards (Rewards, customer retention).

Market development is when organisations look for new markets for its current products. An example how Tesco are able to do this is that they package their own brand products in different package sizes so that those who would like to buy in bulk and those who wish to buy in smaller quantities are catered for.

Product development is the launch of ‘ new products’ this is done by the means of changing existing products by tweaking them up (Innovation) to the existing markets. Tesco may reduce salt for instance in their ‘ Healthy’ range and can market this as the product is a new one so to speak as it now contains less salt or none at all. Another example would be to change the flavouring in one of their ready meals.

Diversification is new products into new markets. An example is Tesco introducing Fresh & easy in America.