

Identification of strategic problems of tesco marketing essay



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1. After doing the PEST analysis of the company, we can recognize the result or the marketing issues, a company is facing. Pest analysis is about doing analysis of political, economical, social and technological factors, which a company is surrounded by.
2. Get an understanding about why firm issues require to get instant thought and why there are strategic marketing problems once the findings are assessed.
3. Determine the consequences of not addressing certain issues by considering the urgency or immediacy of the issue.
4. Consolidate overlapping or related issues into a controllable number. The last list should include no more than twelve issues.
5. Organize issues in priority order by bearing in mind how they transmit to one another.

Introduction

Once the strategic issues are found, the next step is to use the conclusion to identify strategic issues. It is in this stage that participants decide which issues are critical to the success of the company and its dream of improving the marketing strategies.

“ Marketing Strategic issues or problems are those fundamental policy choices or critical challenges that must be addressed in order for a company to achieve its vision. “

Examples: (Coca-Cola & Burger King)

For over a century now, Coca-Cola has been the number one soft drink company in the world. They have vast profitable resources and some of the greatest marketing minds existing at their disposal. Despite all of that, Coca-Cola failed glumly when it introduced New Coke to the public back in 1985. The reason was that they were unable to understand the marketing threats and could not target the right market and were fail to arrangement their new product in the market. The simple reason of failure was people did not like the new coke.

In spite of all the research that was done, and despite the thousands of taste tests conducted; the buying public just didn't like the taste of New Coke. And completely nothing Coca-Cola said or did could change that one simple fact.

Unfortunately, that proved out to be a very expensive lesson for Coca-Cola. They lost millions of customers to their bitter rival and number two soft drink giant, Pepsi.

Yes, Coca-Cola is still the number one soft drink. But the market has been narrowed significantly.

Burger King required very much to be ' French Fries King.' For years, the No. 2 hamburger chain beat out McDonald's in taste tests of hamburgers, but the Golden Arches kept a lock on having the number one french fries. So, Burger King spent several years formulating a new french fry, a potato stick coated-

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unlike its precursor—with a layer of starch calculated to help keep heat and add chomp. Armed with a \$70 million marketing war chest, the company rolled out its biggest product launch ever in 1998.

So, what happened? Burger King's new french fries turned out to be a whopper of a flop! 'Sales of fries are significantly down,' stated a 1999 internal memo. 'Double digit percent of consumers keep away from Burger King because of our french fries.'

Fortunately, Coca-Cola and Burger King were able to live on near disastrous miscalculations, because they had billions of dollars behind them.

But other companies that poorly miscalculate their strategic marketing problems, and don't have those kind of financial resources, generally end up going out of business.

That's mostly why so many dot-com companies are reducing like flies—and will carry on to do so.

Itroduction

The presented piece of work studies the presentation of the TESCO public incomplete company in UK stock market, follows its progress and interesting events for the fresh time as well as provides with financial The presented piece of work studies the performance of the TESCO public limited company in UK stock market, follows its progress and interesting events for the recent time as well as provides with financial statements, balance sheet and calculates figures necessary.

, balance sheet and calculates figures required. First, name and address of the company is presented. Secondly, annual report, share prices graphic in compare with other companies and share price graph for the past two years, latest news and other information is provided in this report. TESCO was founded in 1919 by Jack Cohen it made unbelievable success in international grocery and general merchandising retail chain. Nowadays it is the largest retailer in global and UK domestic market share which's profits exceeds £2 billion. Firstly company expert in food and drink and later it has diverted areas such as clothing, financial services, electronics, insurance and others. Now it has 3, 728 number of stores all of the world and 440, 000 numbers of employees working for the TESCO. TESCO leaders define their values as every little helps toward erecting value for customers and earn their loyalty. Company work hard for the buyers, meet their needs, act sensibly and treat with employees in trust and respect. The strategy of the company is to offer great quality, affordable prices, high variety and customer service. TESCO own 2, 115 stores in United Kingdom and had already penetrated to 13 international markets including Europe, Asia and USA. Aiming to provide excellent value and choice TESCO Company tries to provide all its customers with the goods they want to have and also take part in social and environmental challenges. (www. tesco plc. com)

TESCO CASE STUDY:

Tesco runs more than 2, 300 supermarkets, hypermarkets, and expediency stores in the UK (where it is the market leader in food retail), Ireland, Central Europe, and Asia. Its operations include convenience and gasoline retailing (Tesco Express), small municipal stores (Tesco Metro), hypermarkets (Tesco

Extra), and financial services through Tesco Personal Finance. A global leader in online grocery sales, it owns a 35% stake in US grocery chain Safeway's GroceryWorks. It is the most important online grocery store and it is now expanding its business with a TV channel and a "retail based education organization".

HOW TO IDENTIFY THE STRATEGIC MARKETING PROBLEMS OF TESCO: (By Doing SWOT and PESTLE Analysis of Tesco Plc)

A PEST analysis of the industry will examine the local, national and global influences of political, economic, social and technological factors to appreciate opportunities and threats well.

External Environment – PESTLE Analysis

All of those (political, economic, social, technical, legal and environmental) factors will to some degree apply to the retail manufacturing in Sweden.

POLITICAL – Following the European addition and Free Trade Agreements, the market has opened up for British Companies to invest in Eastern Europe. Tesco already has 60 Hypermarket store in Hungary. Lidl is frankly fighting to maintain its market share with a violent pricing strategy.

ECONOMIC – the Retail sector is fairly recession prawn and also very sensitive to changes in interest rates. Since the events of September 11th the world economies have suffered heavily, stocks plummeted and prices are at all time lows. The world economy is however, now on the up post September 11th. Consumers are optimistic and the retail industry is once again booming.

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SOCIAL - changes in consumer taste and lifestyle represent both opportunities and threats for the industry. Opportunities in terms of new market and consumers, however, there are new threats in terms of alternative established Swedish national retailers (foreign company bias).

TECHNICAL - Changes in retailing methods as such clothes sales via the Internet is now a common place in retailing. Paperless operation, the management and administration of the company are undertaken on IT systems, which are accessed through secure servers; provide flexibility in the running of the business. As Sweden is at the forefront of technological advancement with national companies like Ericsson, Tesco would enjoy the complete logistic and distribution channels already in place.

LEGAL - National legislation for health and safety both in terms of consumer rights and also in terms of production of own natural renewable resources for making clothes.

ENVIRONMENTAL - The renewable source of resources used in production, namely cotton and wool are environmentally friendly. The threats are in terms of legal penalty for livestock's in terms of health and safety.

After the on top of analysis, following were the strategic marketing problem found for Tesco:

Identification of Strategic Marketing Problems of TESCO

- Perception of low quality -(Tesco value brands)
- Lack of local knowledge of customers and culture

- Foreign brand
- New & existing competition
- unpredictability in Price of raw materials
- Economic recession
- Market shift to globalisation
- conquest bids
- Far-East low cost brands
- Extremely high competition for customers and resources

Strategic Marketing opportunities of TESCO:

- Diverse ranges of products
- Open 24 hours a day
- Strong Cash Flow Position
- Increase turnover and trading profits
- Strong Balance Sheet
- Leading Supermarket Chain
- Brand Awareness
- Human resources
- Online Shopping

- Capabilities to turn resources into advantages OPPORTUNITIES
- Develop brand awareness globally
- New Markets
- Market shift to globalisation
- Health awareness growth -GM crops
- Innovation & Alliances
- Low cost brand growth
- Diversification
- Non-food – offers untapped new markets with higher margins

Market Entry Strategy of TESCO:

We can utilize An off's product/market matrix to identify guidelines for Tesco's strategic development. This environment offers directions for strategic choice available to Tesco in terms of products and market coverage, taking into account its strategic ability and also expectation of stakeholders

Markets Existing Protect/build

- Consolidation
- Market penetration Product development
- With existing capabilities

- With new capabilities
- Beyond current expectations

New Market development

- New segments
- New territories
- New users
- With new capabilities
- Beyond current expectations Diversification
- With existing capabilities
- With new capabilities
- Beyond current expectations

Source: Johnson, G., Scholes, K., Whittington, R., (2005)

We can see from the Ansoff Matrix that Tesco's launch of Baby wear in Sweden will involve a market development strategy. As Tesco already sells kid's clothing (existing product) but Sweden will be a new market. Both capability and market consideration has driven Tesco to into development into new markets. Kid's clothing is a product that can be exploited in other market segments and also geographical spread internationally. Tesco may encounter some difficulties around creditability and expectations as they

attempt to enter the new market. Tesco may not be seen as a credible 'mainstream' supplier.

Tesco Plc Target Customers

Tesco must decide which market segment in Sweden it wants to target; this will subsequently determine its common strategy. If it wishes to with the low cost retailers then it must adopt a cost leadership strategy. Otherwise it will have to look for differentiation so that it can charge premium prices at the high-end market. As the competitive rivalry in the low cost market is passionate, Tesco should enter the high-end market with a differentiation strategy. However, before Tesco decides on its goal customers, we need to conduct a market analysis, in provisions of size of the baby clothing market in Sweden, market shares of all the existing firms in the market and ultimately segments within the market, to identify particular segments, so that Tesco can target these and adjust its marketing.

TESCO Marketing Objectives:

Tesco could have the following objectives:

- Profitability, in terms of operating margin (a 10% target)
- Swedish Market share (a 20% target)
- Customer advocacy (the number of customers who recommend Tesco branded clothing, repeat business)
- Respected company (the number of community stakeholders who respect Tesco)

- Employee motivation (the number of employees who feel motivated to deliver Tesco's goals)

Tesco must ensure that it sets 'SMART' marketing objectives that are measurable, time limited, attainable and relevant.

New Marketing Strategy of TESCO:

Tesco's strategy is clear, with growth being from four areas – the core UK grocery business, non-food, international expansion and pursued retailing services such as financial services, the dotcom business and telecommunication packages. Basically, Tesco is using its strong stable core to keep the business ticking over while it forges new riskier areas of growth. Pushing further into non-food in the next phase (Johnson, G., Scholes, K., Whittington, R., (2005)). Lidl is currently "destroying" the market by selling the products below cost price. Therefore, Tesco's generic strategy will have to be cost leadership, unless we can successfully differentiate our line of clothing so that we can charge a premium price.

A marketing strategy will involve analysing the markets, and which products to offer. The strategy is implemented through marketing tactics, which involve detailed decisions about factors such as the price and the way the product is distributed. So Tesco must decide on its model of entry in terms of, own stores, Internet selling or joint venture with an existing national retailer.

Source: (<http://www.universitydissertations.com/Marketing/Tesco-Marketing-Strategy.php>)

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