

Tesco pestel analysis report

Business, Company



Political factors

Political factors are federal government regulations and policies. Tesco is a renowned company operating worldwide, which means that global political factor greatly affects the company (Mutunga, 2014, p. 3). These factors include acts of legislation, tax rates and stability of the country the company operates. A company's performance is commonly affected by legislative and political conditions of the countries it operates. It means that employment policies in different countries affect the manner in which Tesco recruits its work force, an aspect that affects the overall performance of the company. Nevertheless, the employment policies in UK is extremely flexible, and it allows Tesco to employ a large number of disabled individuals, elderly workers and students.

Economic factors

Economic factors determine sales because it influences prices, demand and profit. It means that different countries depict different profit margins because countries with high unemployment levels decrease the effective demand of many goods and vice versa. More so, numerous countries are affected by the rising inflation, which ends up hiking the prices of commodities and decreasing sales.

Social/ cultural factors

Social factors in Tesco's local market seem to improve business because the British consumers are embracing the current trends of one-stop" bulk shopping (Mutunga, 2014, p. 3). Nevertheless, current trends like health

consciousness might affect the retail of food in the chain store because many consumers are opting for organic products.

Technological factors

Technology greatly contributes to the company's performance because the presence of technological devices enhances service provision and vice versa. Tesco's accommodation of technology has increased consumer satisfaction because the services provisions have become more personalized. The recent launch of (ECR) efficient consumer response initiative has made shopping more convenient because consumers can now shop online, and their shopping can be delivered at home (Mutunga, 2014, p. 3). More so, the company's adoption of Electronic Point of Sale (EPoS), as well as Electronic Funds Transfer Systems (EFTPoS) and electronic scanners have eased stocking and distribution activities.

Environmental factors

Most companies have been requested by the concerned bodies to ensure that their business operations should benefit the local society rather than inflicting harm. Tesco has embraced this obligation through the corporate governance responsibility with the aim of ensuring that its business is zero-carbon by the year 2050 (Mutunga, 2014, p. 3). In this regard, Tesco looks forward to reducing waste produced in each store both local and internationally.

Legislative factors

Different countries possess vast legislation, which end up affecting business operations. In Tesco's local operation field, the government has inflicted

policies that regulate the normal operation of a business. For instance, the (FRC) food retailing commission ban current practices that include demanding payments from suppliers and the practice of changing agreed prices without notice (Mutunga, 2014, p. 3). Such a regulation on pricing fosters the threats of intense price wars and lack of product differentiation.

Three ethical issues in Tesco

Ethical issue 1

The first major ethical issue that hit Tesco is the accounting fraud, where the company is said to have overstated its first-half profits by £ 263 million. The case has intensified to the extent that the Financial Conduct Authority has taken up the investigation. New York Times dated 29th October 2014 depicts the in-depth situation of the scandal and it argues that the investigation has caused a massive turmoil in the company because eight executives have been requested to step aside in order to give way for investigation (Anderson, 2014, p. 1). Though none of Tesco's officials offered any comment concerning the matter, analysts argue that the overstatement of figures was fostered by the company's struggle in terms of sales and that the move was to paint a fake possession of competitive market share. Though Tesco was strategizing on how best to exhibit to the world how it possesses a reasonable market share, the transparency in the exercise failed. Tesco should have stated the correct profit margins irrespective of the poor digits. It should have been followed by an exclusive meeting between the finance department and the marketing department to analyze and bring forth measures that will keep the company on its previous competitive advantage. These two teams might be shocked to realize that various

aspects like poor customer service and poor marketing strategies contributed to the downfall (Purcell, 2007, p. 46). In this regard, the concerned executives should firstly mend every internal patch before venturing into marketing strategies, and a positive turn around will be reached.

Ethical issue 2

Prior to the accounting fraud, Tesco was also in the news for a misleading advertisement. The retail store advertised a reduced price of a product from £ 4. 99 to £ 4. 50 for a period of 21 days. According to insights, the product had been selling at £ 4. 00 before and during the promotion period, and the shocking part is that the product sold at the same price during the advertised period. This means that the advertisement was misleading because Tesco had not conducted or changed any price variations of the product and the advert was probably meant to remind customers of the company's presence in the market or probably depict how the company was consumer conscious by " lowering" the price. On their part of view, Tesco argued that the product sold at the mentioned price of £ 4. 50 during the promotion periods and that different stores failed to adjust the prices on their shelf labels. More so, the company argues that the change of prices after the promotion period was not communicated to the consumer.

This situation depicts how the retail store breached its ethical values by not adhering to Office of Fair Trading's (OFT) Guidelines that deal with food pricing and promotions. It is a major exhibition of lost competition triggered by intense rivalry from the fellow retailers. The company should have opted for better and genuine promotional methods to ease the rising competition.

The advertising strategy was perfect in the sense that it reached the targeted audience, but the fake price reduction tarnished it all. In this regard, the marketing team should critical analyze how the other retailers are intensifying its completion in order for Tesco to understand the best strategy to execute.

Ethical issue 3

The other ethical issue that puts Tesco under scrutiny is poor management of its workforce, which includes unfair dismissal and underpayments. Additionally, the staffs report a huge percentage of absenteeism, a factor that is contributed by poor human resource management that lack motivational initiatives. In order to handle this crisis, the company should implement appropriate motivational platforms that will engage employees in the overall participants in running the stores. At this point, Tesco should realize that satisfied employees grant satisfying customer service and other duties, which in the end satisfies the consumers, increase sales and thickens the profit margins (Purcell, 2007, p. 46). Therefore, the human resource management should lock heads with the financial department with the aim of drawing out appropriate motivational methods that benefit its staff. The reason why the financial department is a crucial part is because it will grant the needed resources to execute the initiative. The human resource managers can opt to increase salaries, offer yearly rewarding programs that reward the best performing individuals or department, offer medical insurances or pensions among many others. Prior to financially based motivations, the management team can introduce teamwork and other participatory initiatives that foster communication and cohesion. It can

include weekly meetings or monthly outdoor activities like sports. It greatly encourages the staff because they feel that they are part of the company.

The core Strategy

The core strategy that Tesco desperately needs is an effective leadership from the top executives down to departmental managers. It is the reason because; the company was recently on the headlines due to subsequent replacements of its chief executives, which means that the previous leaders were not satisfactorily competent. Tesco should immediately hire new leaders or use resources to educate them through subsequent workshops. A better step will be evaluating every leader's performance and the competent ones remain and undergo seminars while the incompetent are replaced by new proficient leaders. It will be a successful step because a company's foundation is laid under strong and competent leadership (Purcell, 2007, p. 46). It means that the presence of competent leaders in every ladder will ensure the operations in the retail store run smoothly, and that daily output targets are met. For instance, a competent chief executive will ensure that all the managers under him are executing their duties to perfection and that no department lags behind. This pressure will push the managers in each department to execute their duties towards the success of the company, and the company will regain its thick profit margins and a reasonable market share.

A prime example is depicted by senior leadership inflicting pressure on the human resource leadership. The human resource leader will be pushed towards implementing warm communication platform between them and the staff. This will encourage staff to freely highlight their plights, opinions and

suggestions, an aspect that will curb absenteeism and foster top-notch customer service because a satisfied employee always grant quality services that result to satisfied consumers (Purcell, 2007, p. 46). Considering that consumers are the backbone of every company, satisfied consumers will always come back and the sales will keep rising.

The three month strategy

The three month strategy will begin with transforming the leadership system in the most affected stores. Strong leadership will be the source of a strong foundation towards the success of other strategies. After the assurance of strong leadership foundation, the next strategy will be re-organizing the human resource by implementing reasonable motivational measures in alignment with the available resources. After ensuring that the work force is satisfactorily increasing the company sales, the next step will be an intense research on rival competition, an aspect that will grant the company a candid direction to implement marketing strategies (Anderson, 2014, p. 1). After understanding the rivals weaknesses and strengths, Tesco will put up marketing strategies like genuine advertising, promotions as well as corporate social responsibilities. With all these steps at hand, the retail giant will definitely rise back to its glory and retain and dominate the market share.

Bibliography

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