

Bowman's strategy clock



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Executive summary

The rationale of a chosen topic Tesco is because it is a top UK supermarkets since 1995. Tesco has shown considerable increase in the market and is been rewarded for its performance. In our evaluation of business environment of Tesco in past 5 years we have come to know that it is constantly making improvement in all environmental factors. By doing this models like Porters Five Force Rule, Pest Analysis, SWOT analysis we come to know why Tesco is UK's top supermarket by being focused differentiator. We have explained the successful strategy of Tesco by linking it with Bowman's Strategy Clock which helps us to know the strategy followed by Tesco over the years. Our evaluation on Tesco includes the statistic that proves why Tesco is the Best supermarket in the UK. Our statistic proves the number of customer increase of customers turning in Tesco in previous years. In our conclusion we have showed all this points of Tesco's successful strategy and always trying to do something innovative to keep their customer focus because of the changing needs of customers in different cultural environments.

Introduction

The founder of Tesco was Jack Cohen, he managed to gain a profit of £1 and sales of £4 on the day he started with Tesco. Tesco is ranked third in world for largest grocery retailer, with its operations in more than 14 countries. The name " Tesco" had appeared first in 1924, and its first shop was opened in London. This strategy made them successful and is now the topmost Supermarket in UK. Tesco apart from being one of the largest retailers for food have also embraced the non food products and expanding on household

goods, toiletries, electrical items, clothing etc. Strategy of Tesco is to focus on its customers. www.tescopl.com, (2010) [online]

Business environment: " Business Environment is the total of all things external to business firms and industries which affect their organisation and operations." (B. Wheeler, 1968) " The Environment is anything outside an organisation which may affect organisations present or future activities, thus the Environment is situational and it is unique to each organisation." (J. Kew, J. Stredwick, 2005) Changes that occur within a company are called as internal factors and changes outside the company are called as external factors. This affects the objectives and strategies of the company.

PEST Importance

The pest analysis tool helps us to understand the growth or decline of the market. It also helps to know about its position, potential and direction of the business. It is basically a business measurement tool. It consists of four main factors they are political, economic, social, technological.

Pestle analysis of Tesco

Pestle does consist of following factors such as political, economic, social, technology, environmental and legal.

Political

Political factors of any company has some government instruction and legal formalities and it also defines formal and informal rules. www.quickmba.com, (2010) [Online]

1. The main problem Tesco is facing is recession that is directly affecting Tesco and all other retailers throughout the globe. Because of

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recession all the countries have to face huge number unemployment but Tesco been the fastest growing retailer might help in reducing the huge amount of unemployment.

2. With the emergence of Tesco in recent years as a grocery retailer has kept them on the list of (OFT) Office of Fair Trading but it is using its strong position in agricultural market.
3. The effect of the public regarding a supermarket in the town centre has grown a future problem in the policies.
4. In order to gain momentum, the community organisation have ignored competition by starting and getting help from its neighbours to boycott other markets and large manufacturers provides support to smaller instead of huge supermarkets like our because of the expenses.
5. After receiving the proposal from European commission regarding selling of goods at a lower price has been cut down this will affect this supermarkets which provide goods at a cheap rate in order to maintain the supremacy.

Economic Environment

“ Business Organisations operate in an economic environment which shapes, and is shaped by, their activities. In Market based economies this environment comprises variables which are dynamic, interactive and mobile and which, in part are affected by government in pursuit of its various roles in the Economy.” C. Britton, I. Worthington, (2006)

These factors are those which reduce the buyer's capacity to purchase and also cost on capital. [www. quickmba. com](http://www.quickmba.com), (2010) [Online]

1. The food retail market in UK is quite mature and highly competitive in which Tesco is the largest food sale retailer.
2. Due to recession the food sectors in UK market has been badly affected and the inflation rate has gone negative.
3. There is an increase in globalisation because the domestic market are been saturated and have the desire for their growth through self start, acquisition, franchising and merger.
4. Because of scarcity of land, that is been compounded by the government legislation on the facility of town shopping has made difficult like supermarkets like Tesco to expand their location.

Social Environment

The social environment handles the graphical and cultural nature of external environment. Which contain of customer needs and size of potential needs.

www. quickmba. com, (2010) [Online]

1. The changing lifestyle of the consumers, their trends, their buying patterns and the opinion about the product after the use of the products are the main events that influence the buying trends of the customers in Europe and different countries. Thus Tesco needs to always try to understand what are changing needs of the customers.
2. There is a considerable increase of young professional in the eastern European regions that have the changing trends. Thus Tesco and other retailers need to understand the customer opinion. Therefore the new products which the company wants to develop can be done by keeping a single persons view.

3. The targets of Tesco as said in 2007 are to save carbon emission from all the new stores.
4. Tesco did not only save carbon emissions in their own existing stores but also to distribute in different centres worldwide till 20/20. In the same year the Tesco divided CO2E into the number of goods delivered throughout the world at the end of 2012.
5. Tesco invested around 86 million pounds for saving energy on technology on its stores like energy lightening, wind turbines, efficient bakery Owens and CHP (Combine Heat and Power) and stopping the use of freeze doors.
6. Tesco has provided healthy products to the customers in different ranges like fruit and vegetables. They have also improved in nutritional labelling which helps the public to eat healthier diets. Tesco involved 2.4 million people in Thailand for national aerobics competition in the year 2007 in the same year Czech Republic and Malaysia got people active to raise money for cancer research.

Technological Environment

Technological factors help us in reduce barriers of entry, influence outsourcing decisions and also help in reducing minimum efficient production level.

1. In 2008 Tesco had build 3 energy efficient stores in the country for testing the new equipments and this idea had intent to rule out across the business. Their first store reduced energy consumption by 29% compared to the original size of Tesco store. In Swansea consumption

rate was reduced to 36% and carbon footprints reducing at 50% from the standard size of the store.

2. The Tesco stores have very efficient Owens, refrigerator and energized air conditioners.
3. They use timber instead of steel in their stores in order to reduce embedded carbons.
4. The Tesco is been focused and working hard in order to reduce carbon technology for achieving energy reduction targets for which they have invested more than 65 million pounds in year 2008.

Environmental Environment

1. The Tesco was successful in reusing all the plastic trays. These plastic trays were been used to replace cardboard boxes which were been adopted by all over the world in order for safety of products.
2. Tesco was the first UK supermarket to introduce degradable plastic carrier bags. These plastic bags decompose within sixty days into CO₂, H₂O, mineral matter and bio mass unlike the other plastic carrier bags.
3. The Tesco has also taken steps to ensure the health and safety for products likes fruits, Vegetables and salads. This management scheme was introduced by Tesco in 1992 which concentrates on standard like variety, size, shape, taste and shelf requirements.
4. The nature scheme also involves pollution prevention, use of plant protection products like fertilizers and manures. Re-use and recycle of materials and also to improve the wild life.
5. The Tesco does not test its non food product items on animals.

6. The Tesco contributes 10000 pounds every year in funding replacement of animals which are kept in medical experimentations. This seeks to the end of animal points.

Analysis

Porter's Five Forces: By using porter's five forces we are going to investigate the threats of substitutes from supermarkets, the buying capability of purchasing groceries, buying capability of suppliers regarding groceries, last but not the least the buying power of customers. [www. 321books. co. uk](http://www.321books.co.uk), (2010) [online]

1. Threat from Entry: The pressure exerted from new entry is less and the market entrant cannot get large market share quickly. They get a big setback of cost and in addition they have to cut price on product as well as increase output. With Tesco and other supermarket having an experience of more than 50 years in the business the entry point is very tough. But Tesco and other supermarkets have a very less threat of new entrants because their distribution channel is well established and whoever enters new faces this as their biggest problem.
2. Power of buyer: Tesco is a very huge organisation and they are market disciplined, its other competitors are also disciplined in approach for setting price because of government regulation. The customers have the power to purchase their product from many suppliers but in this industry it is more economic to purchase from retailer instead of many.
3. Power of suppliers: In supermarket industry Tesco has an extreme advantage to dictate the market cost they offer their suppliers; this is because incase they refuse to pay then suppliers have got no one to

sell their products. Tesco as a giant retailer does not need a supplier because he has got option of many suppliers but suppliers cannot lose. Tesco who purchases their material in large quantity. Hence power of suppliers is not much in this retail industry.

4. Threat of Substitute: The retail market industry like supermarket there has been a large amount of competitors which makes the rivalry even intense. This intense rivalry makes the substitution force very high. The substitution level is further enhanced with customers having option of switching from one to another supermarket according to their needs. This avenue's Tesco to improve its quality and be able to differentiate from its competitors. [www. ivythesis. typepad. com](http://www.ivythesis.typepad.com), (2010) [online]

SWOT Analysis – Strength, weakness, Threat and Opportunities

Understanding thorough various business models, all companies need several business strategies to run their business in a smooth manner. They follow various methods to do so. One of the major is to analysis the strengths weakness of the company along with the opportunities it has and which may arise in future and the threats which they may face.

Strengths

1. Tesco had received the award of being the best Retailer of the year in 2008. Thus they can use as this as a marketing campaign in order for demographic base, helping them to maintain their goal of maintaining substantiality with market growth.
2. Every other retailing market has shown a severe decline in performance growth except Tesco which has shown a considerable

increase in sales which is about 13% in UK market and around 26% in International market.

3. Tesco consists of reserve funds on credit couples and those can enjoy the income they get it from in order to increase their business.

Weakness

1. Due to the high credit card arrears Tesco had to face bad debts which affected their profit margins greatly. And also house hold insurance claim affected their profit margins further.
2. In some areas Tesco does not have a specialist grocer retail outlet on some products whose advantage can be taken by small retailers.
3. The cost of products is rising and the income of people is very low which can directly affect Tesco's message of mid to high ticket price items.

Opportunities:

1. Tesco's acquisition of doing whatever at any time can help them to explore their stores to Asia and most probably South Korea and also other international retail markets.
2. Tesco is able to maintain its economies of scale because of their high buying power it is ranked 3rd as global grocer in the globe.
3. Tesco has a scope of further enhancement in technological area and also its sales revenue is increased by ¼ million in 2008.
4. We will see a growth in use of technology as Tesco provides its customers with direct online shopping of products. This is going to be done by launching Pad for non food items at reasonable or huge margin intakes.

Threats:

1. The profit margin will be impacted as there is an increase in cost of food and non food products.
2. The needs of the customers are always changing thus Tesco needs to look after their buying pattern and thus needs a good technology to know about it on daily basis.
3. The economies of country like UK and USA have been badly affected which means they will have low income and this will distract them from their main strategic focus. And thus they will need to focus on lower priced based goods or products instead of high priced products.
4. Also some of sources are changing its position to far most areas will affect the margin rate on this product. This in turn will be a loss in margin of sales for Tesco.
5. And Tesco will always be threatened to lose its market position to Wall-mart who can able to provide same means of motive and actions as done by Tesco.

Bowman strategy Clock:

The Bowman's clock is a way to analyze competitive position of the markets as compared to other competitors. " The first step is competitor analysis, the process of identifying, assessing and selecting the key competitors. The second step is developing competitive e marketing strategies that strongly position the company against competitors and give it the greatest possible competitive advantage." P. Kotler, et-al, (2008). There are eight options:

1. Low Price: Tesco being the market leader they have to keep their price on products very less which means low margin. Although Tesco have a

low price for all its products but it does focus more on customers than to focus on low pricing to attract customers which is been done aggressively by other competitors.

2. Hybrid: Tesco has a very low price and does take up steps to reinvest in the low price factor and which is one of the reason of its Leadership. The Company make enough efforts to take care of the cycle of reinvestment.
3. Differentiation: Tesco Differentiates itself with their main objective of low price offered to customers with an added value services provided as it keeps in mind the customers their main focus.

Focused differentiation: The primary objective of Tesco is focusing their customers and to improve relation with them in order to maintain a good customer loyalty with them, in order to survive in such a high competitive market.

The main Steering Wheel of Tesco is its performance in all areas of their business like financial sector, non-food products, telecommunications and new markets to spread their business. The following are some important points as follows:

1. Focusing to be a successful international retailer: Tesco is not only focusing on UK market as their main target but they are also forward in exploring itself in International markets too. They are coming up with opening few outlets in china, Brazil and India as well.
2. Provide customers best service: Tesco is always looking forward to provide a good customer service with added value to its customers in UK market as it being their main aim.

3. They are very good in food as well as non food: Not only very good in non-food market but they are also very good in food market. With increasing demand of fast food products by consumers Tesco has a very good and large section of providing them their needs.
4. Developing retail service: It has always focused on to keep on developing its service sectors for customer loyalty like Tesco Finance, Telecommunication.
5. They have achieved the best retailer of the year Award in 2008 which shows its performance.
6. Earning Customer Loyalty: Is their main aspect of improvement in years of its success. Their scheme of launching loyalty card for its members has given them great results. Its Club Cards have got more than ten million people's which capture eighty-five percent sales weekly. Implementation of Club Card done by Tesco has increased by 52% in sales and is growing higher than industry average. From there multidimensional customer segmentation with tailored communication in last June shows the number of mails received by it from its customers on their local ' Grocers' . The mailing is been tailored on needs, potential and interest of its Club Card members. Tesco has achieved floor space expansion by 150%. Tesco online transactions are boosted up to 500, 000 weekly, with sales of around two billion pounds every year.

Conclusion:

After researching about the environment of Tesco we have come up with this opinion that the strategies adopted by company are paying off from them.

The company is showing a constant graph of their sales and the yearly

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turnover made by the company. Although company is doing good and is still making profit in the retail market during this recession period but still they are facing few challenges which are been tackled by constant technological enhancements and supported by good strategy. The company is diversifying pretty fast in international market but they are also looking to improve on better customer satisfaction. They stand at number three in the world retail market and have 30% of market share with them. They also have launched a new range of cheaper products to stop deserting of shoppers. They provide shoppers with a discount on buying of more than two items. The most successful story of Tesco is there launch of " club card" which has encouraged customers to buy and maintain loyalty.

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