

Techniques used for auditing the marketing environments



Appraisal interviews are used to review an individual's performance in a job and to plan for the future. This is ideal for new Managers or as a refresher for existing Managers who would benefit from a greater understanding of the appraisal process. It is also appropriate for support staffs that have employees reporting to them.

Appraisal at Sainsbury is to encourage employees to achieve their potential; to support employees in their attempts to achieve personal goals. This system is designed to improve the performance of the workers at Tesco so Tesco could have a strong and good quality workforce.

Recommendations on the appropriateness of selected investment project decisions

Tesco should use the post audit appraisal to determine if the selected investment project decisions would be helpful to the firms' growth and would be helpful for the success of the firm in the industry. Tesco can use the post audit appraisal to analyze the financial standing of the firm. It can use such appraisal to understand how the firm improved after the investment project was initiated. Moreover Tesco should make use of the post audit appraisal to know the trends in the finances and how it will affect the firm. The future trends will help in forecasting the next steps that the firm m must take. Tesco should make sure that most of its finances that it would be used for advertising to attract Indian clients and would be used to help the investment project succeed.

Performance audit of Tesco using internal and external factors

Tesco has been successful and has reached a wide market due to the assistance of the internal and external environment. The internal factors for its success could be the use of positive strategies like low pricing and the use of advertisements to reach more clients. The external factors for its success could be the people's need to purchase products that have lower prices, the need for a store that can easily be located and the need for a store that doesn't have much shoppers. Financial managers may have harped on capital efficiency, but no financial performance measurement told managers that they hurt shareholders by bringing on-line excess factory capacity, building expensive inventory, or allowing overgenerous payment terms. Of course, financial measures can improve decision making by means other than just taking into account the cost of shareholder capital. Other factors excluded by conventional accounting include inflation, valuing many intangible assets, and accounting for externalities. Executives who believe that these factors distort decision making should factor them into their measures through inflation adjustments, intangibles accounting, and full-cost environmental accounting (Carlsson 2001). If, for example, executives want to highlight the return on investments in such intangible assets as R&D, brands, and employee training, they should capitalize those costs and calculate the return on the investment in them. Most executives today figure they already go overboard in demonstrating their company's financial performance.

Apply organisational and environmental auditing techniques in a given situation.

Mr. Eran Sorek, of the Agrexco marketing organization, presented a lecture on agricultural protocols and their significance on marketing opportunities in Europe.

A behavioural survey was prepared and translated into Arabic. Although two surveys of environmental behaviour were taken at the start of the project, it became clear that this was not an effective tool for determining whether the seminars engendered the behavioural changes in agro-business habits as conceived in the program objectives. The auditing process was supervised and executed by the recognized auditing firm by IQC, the Israeli representative of CMI. The internal audits were performed by Ms. Tobias in June 2006 with corrective actions taken as a result of the internal audit.

The external audit was carried out in August 2006. The growers passed both the TESCO audit and the annual GLOBALGAP audit during August 2006, thus making the program of upgrading the Israeli date grower's certification to Tesco Natures Choice (TNC) a success.

Assess the role of the Marketing Plan in relation to the organisation's business mission and philosophy:

The Strategic Marketing Plan – Ambipur

Different sectors of household care in Malaysia are exhibiting different degrees of growth. In 2002, the value of growth for matured products, such as laundry care, insecticides, chlorine bleach and dishwashing products are driven downwards by price discounting. On the other hand as urban

consumers are getting more sophisticated, household care sectors such as air fresheners and toilet care products experienced robust growth. New products such as electric air fresheners and fragrance liquids have boosted this growth. The top 2 players in Malaysia that are competing in the household care sectors are Reckitt Benckiser (M) Sdn Bhd and Sara Lee (M) Sdn Bhd. Both companies market surface care products, insecticides, air fresheners and polishes.

Supermarkets and hypermarkets became the main channel for household care products. Hypermarkets such as Giant, Carrefour and newly joined Tesco, has all continued their aggressive expansion plans in urban areas to attract urban consumers to a one-stop shopping outlet. The channels of distribution are abundant and almost at every sales outlet, the competitors are just next to you. Therefore, to be top of the consumers shopping list is to create an impact on the consumer to remember the brand and values that the product offers.

Analyzing market opportunities, developing strategies, shaping the market offering, managing and delivering marketing programs are all a part of putting together a strategic marketing plan. The marketing plan must adapt to the new economy that builds customer satisfaction and value by successfully targeting the right consumers and retaining them for repeat purchases while exploring and securing new ones. The plan focuses on the branding strategies, buying behaviour of consumers, marketing mix programs as well as to meet its marketing objectives bearing in mind that the plan is linear to the corporate objectives.

TASK 2

2. 1 Identify the main barriers to marketing planning:

While there appears to be little scope for local price flexibility, both parties give local management some discretion to determine product range and opening hours when responding to local competition and customer demand, changes its core product range in response to consumer demands within individual stores, and T&S' core range varies for similar reasons. Opening hours vary across individual Tesco stores. Superstores are open for the maximum hours permitted by the planning authorities. Express stores are generally open 18 hours per day, with some opening 24 hours and others for shorter hours either due to inadequate demand for late-night shopping or to planning restrictions. T&S stores have standard opening hours of 6am to 11pm i. e. 17 hours, but around [a third of] stores close earlier.

Tesco has contended strongly that neither of these barriers to entry is material and hence that entry can be readily achieved. In particular, it has pointed to the low rate of refusals on its and T&S's' planning applications for new convenience stores. Tesco has had [figure deleted] of its planning applications for Express stores refused and T&S' experience is that around [figure deleted] of its planning applications have been refused. The reasons for refusing Tesco's planning applications include increased traffic and the effect on existing high streets. Although the refusal rate appears to be low, it is difficult to draw any firm conclusions on barriers to entry from this information. First, Tesco's applications relate to stores on petrol forecourts. Second, the refusal rate might understate the extent of barriers created by the planning regime as retailers might not choose to pursue sites which they feel would raise planning issues.

2. 2 Suggest how organisations may overcome barriers to marketing planning:

I am going to discuss in this answer to question three the processes of site acquisition, initial planning application, referral to, and call-in by the Secretary of State can take up to five years – if not longer. For example:

- At Litherland we first became involved in the site in October 1997, our planning application was submitted in 1999, only to be ultimately refused by the Secretary of State following call-in in November 2002. Our re-submitted planning application received a Resolution to Grant from the Local planning Authority in September 2005. This will not be called-in and planning permission will be granted once the S106 Agreement has been completed.

- Tesco replacement store at Hanley took 2 years from the Council's Resolution to Grant to receiving planning approval from the Secretary of State. Outline planning application was submitted in January 2003, with resolution to grant in November. After a call-in, and public inquiry, the Secretary of State finally published a decision in May 2005.

- The public inquiry into our called-in application for a replacement store at Shrewsbury was held in March 2003 but the Secretary of State's decision was not issued until July 2004. The application was submitted in 2001. This is far too long. At any given time, Tesco applications called in and subject to a two-year delay can account for between £150 million and £200 million of investment, and in the order of some 4, 000 jobs. To reduce these delays we believe that statutory.

Fees for planning applications are at a level which will not deter applicants.

They would

be willing to pay higher fees, should this result in a better resourced, faster, and more professional service from planning departments. We have made suggestions in our other answers on ways to improve the planning system

They are aware that several previous studies have concluded that UK planning constraints result in higher occupancy costs for UK retailers and lower productivity. They have never been convinced by such simple arguments. Occupancy costs are higher for a number of reasons, and it is difficult to demonstrate that planning is the most important element.

Similarly, whilst occupancy costs do appear to be higher in the UK, this does

not mean that productivity is lower. Indeed, on some measures,
<https://assignbuster.com/techniques-used-for-auditing-the-marketing-environments/>

UK retailers are clearly much more productive than retailers from any other country.

2. 3 provide a range of barriers of marketing planning with relevance of chosen organisation and evaluating more than one barriers and assess the significance:

The 1980s saw a continuation in the growth of new stores and also the development of new initiatives. In 1985, Tesco announced its Healthy Eating options with nutritional information and advice on some of its own branded foods. By the 1990s, the move to overtake the other major supermarkets was well under way. The emphasis was on finding new ways of satisfying consumer needs and building customer loyalty. A range of new services and facilities were introduced, including Tesco Metro, a store concept aimed at the high street customer but offering the benefits of a large supermarket. In some respects, this was Tesco returning to the high street after selling off many stores in the 1960s and '70s in the move to join the out-of-town shopping trend.

Tesco's Turnover, Number of Stores and Selling Space, 2001-2005

2001

2002

2003

2004

2005

Turnover (£m)

20, 800

23, 400

26, 004

30, 814

33, 974

Number of stores

907

979

2, 291

2, 318

2, 365

Selling space (000 sq ft)

28, 362

32, 491

39, 944

45, 402

51, 772

In 1995, Tesco introduced the Clubcard, a loyalty card for customers who were able to collect points from purchases and use them to exchange for goods. It also gave Tesco a massive amount of information about the customers who visited its stores, what they bought, the regularity with which they bought them and how they responded to the in-store promotions and special offers. Sainsbury's dismissed the card as a gimmick but were soon to lose out on sales to Tesco and in the latter part of 1995, Tesco became the market leader with a market share of 17%.

Given this massive growth, Tesco announced a profit of over £2 billion for 2004 - the first UK supermarket to break this barrier. The fall in the share price reflects what analysts expect to happen in the future rather than what has happened in the past. So where does Tesco go from here? Have they reached a peak from which there is now only a downward trend or are there strategies that Tesco can put in place to cement their position in the market and continue to expand in the future?

Tesco's Summary Five Year Record

Year ended February

2001 (£m)

2002 (£m)

2003 (£m)

2004 (£m)

2005 (£m)

Group sales

22, 585

25, 401

28, 280

33, 557

37, 070

Turnover excluding VAT

UK

18, 203

19, 821

21, 309

24, 760

27, 146

Rest of Europe

1, 737

2, 181

2, 664

3, 385

3, 818

Asia

860

1, 398

2, 031

2, 669

3, 010

20, 800

23, 400

26, 004

30, 814

33, 974

Underlying operating profit

UK

1, 100

1, 213

1, 297

1, 526

1, 694

Rest of Europe

70

90

141

184

218

Asia

4

29

71

122

152

1, 174

1, 332

1, 509

1, 832

2, 064

Return on capital employed

11. 0%

10. 8%

10. 2%

10. 4%

11. 5%

Retail statistics

UK

Number of stores

692

729

1, 982

1, 878

1, 780

Total sales area (000 sq ft)

17, 965

18, 822

21, 829

23, 291

24, 207

Turnover per full-time equivalent employee (£)

159, 678

163, 443

160, 157

162, 459

166, 534

Weekly sales per sq ft (£)

21. 75

22. 43

21. 86

22. 48

23. 89

International

Number of stores

215

250

309

440

554

Number of hypermarkets

68

102

152

194

273

Total sales area (000 sq ft)

10, 397

13, 669

18, 115

22, 111

24, 928

Market Share of the Top Four Supermarkets (%)

1998

1999

2000

2001

Sep 2003

Apr 2005

Feb 2006

Tesco

22. 9

23. 4

24. 2

22. 8

29. 8

26

30. 6

Sainsbury's

19. 8

19. 1

18. 6

15. 8

16. 2

15. 9

16. 3

Asda

14. 1

14. 8

16. 2

12. 4

17

16. 5

16. 6

Safeway

10. 2

10. 0

10. 1

9. 3

10

—

—

Morrisons

—

—

—

—

6

12. 2*

11. 1*

Tesco's Share Price (July 2004 – May 2006)

TASK 3

3. 1 Explain the need to be innovative in the market or services:

1. 0 INDUSTRY ANALYSIS: PESTEL FRAMEWORK,

1. 1 Political Factors:

Operating in a globalize environment with stores around the globe (Tesco now operates in six countries in Europe in addition to the UK; the Republic of Ireland, Hungary, Czech Republic, Slovakia, Turkey and Poland. It also operates in Asia: in South Korea, Thailand, Malaysia, Japan and Taiwan), Tesco's performance is highly influenced by the political and legislative conditions of these countries, including the European Union (EU).

1. 2 Economical Factors:

Economic factors are of concern to Tesco, because they are likely to influence demand, costs, prices and profits. One of the most influential factors on the economy is high unemployment levels, which decreases the effective demand for many goods, adversely affecting the demand required to produce such goods.

1. 3 Social/Cultural Factors:

Current trends indicate that British customers have moved towards 'one-stop' and 'bulk' shopping, which is due to a variety of social changes. Tesco have, therefore, increased the amount of non-food items available for sale.

1. 4 Technological Factors:

Technology is a major macro-environmental variable which has influenced the development of many of the Tesco products. The new technologies benefit both customers and the company: customer satisfaction rises because goods are readily available, services can become more personalised and shopping more convenient. The launch of the Efficient Consumer Response (BCG) initiative provided the shift that is now apparent in the management of food supply chains (Datamonitor Report, 2003). Tesco stores utilise the following technologies:

Wireless devices

Intelligent scale

Electronic shelf labelling

Self check-out machine

Radio Frequency Identification (RFID).

The adoption of Electronic Point of Sale (EPoS), Electronic Funds Transfer Systems (EFTPoS) and electronic scanners have greatly improved the efficiency of distribution and stocking activities, with needs being communicated almost in real time to the supplier (Finch, 2004).

2. 0 INDUSTRY ANALYSIS: PORTER'S FIVE FORCES:

2. 1 Threat of New Entrants:

The UK grocery market is primary dominated by few competitors, including four major brands of Tesco, Asda, Sainsbury's and Safeway that possess a

<https://assignbuster.com/techniques-used-for-auditing-the-marketing-environments/>

market share of 70% and small chains of Somerfield, Waitrose and Budgens with a further 10%. Over the last 30 years, according to Ritz (2005), the grocery market has been transformed into the supermarket-dominated business. Majority of large chains have built their power due to operating efficiency, one-stop shopping and major marketing-mix expenditure. This powerful force had a great impact on the small traditional shops, such as butchers, bakers and etc. Hence, nowadays it possesses a strong barrier for new companies who desire to enter the grocery market. For instance, it becomes rather difficult for new entrants to raise sufficient capital because of large fixed costs and highly developed supply chains. This is also evident in huge investments done by large chains, such as Tesco, in advanced technology for checkouts and stock control systems that impact new entrants and the existing ones. Other barriers include economies of scale and differentiation (in the provision of products or services with a higher perceived value than the competition) achieved by Tesco and Asda seen in their aggressive operational tactics in product development, promotional activity and better distribution.

2. Bargaining Power of Suppliers:

This force represents the power of suppliers that can be influenced by major grocery chains and that fear of losing their business to the large supermarkets. Therefore, this consolidates further leading positions of stores like Tesco and Asda in negotiating better promotional prices from suppliers that small individual chains are unable to match Ritz (2005). In return, UK based suppliers are also threatened by the growing ability of large retailers to source their products from abroad at cheaper deals. The relationship with

sellers can have similar effects in constraining the strategic freedom of the company and in influencing its margins. The forces of competitive rivalry have reduced the profit margins for supermarket chains and suppliers.

2. 3Threat of Substitutes:

General substitution is able to reduce demand for a particular product, as there is a threat of consumers switching to the alternatives Porter M. (1980). In the grocery industry this can be seen in the form of product-for-product or the substitute of need and is further weakened by new trends, such as the way small chains of convenience stores are emerging in the industry. In this case Tesco, Asda and Sainsbury's are trying to acquire existing small-scale operations and opening Metro and Express stores in local towns and city centres Ritz (2005).

3. 2 Identify and assess techniques for developing products:

Value for Money

Tesco Ireland's strong commitment to improving consumer welfare is also demonstrated through our continuing drive to lower grocery prices. Over the past few years we have invested over €40 million in bringing down the prices of everyday grocery staples, and keeping them down – items such as bread, milk, butter, sugar, potatoes as well as many leading branded groceries. They identify products to include in our price cutting campaigns by asking customers through ongoing research programmes which products, and prices, would mean the most in savings to them and their families.

Tesco Value own label range offers over 1, 000 products in every section of the store, including fruit and vegetables, meat, groceries, drinks, cleaning

<https://assignbuster.com/techniques-used-for-auditing-the-marketing-environments/>

products and clothing. It represents the best value low price range of groceries available to consumers in Ireland.

Their sustained price cutting campaign has helped bring down Ireland's national inflation figures – food price inflation has consistently run below the overall inflation rate.

Tesco own label offers customers extended choice across a variety of products under the following headings: Tesco Value, Tesco Finest, Tesco Standard Brand, Tesco Healthy Living, Tesco Organics, Tesco Wholefoods and Tesco Kids. Each brand has a growing product range and offers value for money in the category within which it trades. These ranges complement our extensive range of other familiar branded products.

Value Price Promise

Tesco VALUE price promise states that we will not be beaten on the price of our Value Brand products. They are so confident of price position that we promise that, if a customer buys an equivalent product cheaper in another store within one mile in their store, they will refund the difference in price. In addition to our low price policy, we also offer customers a regular supply of short term price promotions including 2 for 1 offers, percentage discounts and multi savers, where customers enjoy significant value and choice. We have about 500 products on promotion in any given week. These play a considerable part in helping us to continue to offer value and lower prices to customers.

Range

Tesco stores offer a very wide range of products and choices to customers. A typical Tesco Ireland store stocks 20, 000 - 30, 000 different lines, meeting the needs of different customer groups, stocking something for everyone. For example in tomatoes alone, we stock 28 different types, including loose, vine ripened, organic and cherry, with a wide variety of price points available.

Household, home entertainment and clothing ranges have expanded considerably in recent years, to very strong customer response, and we intend to widen our ranges of food and non-food items further in the future.

3. 3 Make recommendations for pricing, distributing and communicating a product or service:

They will contribute to the performance of the business line, through pricing, existing product development and the direction of key activities that impact on the overall business line. You will need to understand and make recommendations on pricing and product development to meet the needs of the Tesco Insurance Business and proactively respond to changes in the competitive environment.

A degree in a numerate or analytical

Commercial awareness

Ability to analyse information effectively

Good communication and presentation skills

An insurance background and SAS skills

- Develop commercial pricing propositions and models to drive the growth and profitability of the Tesco Insurance Business
- Develop new business and maximise the value of current business on an ongoing basis.
- Develop an understanding of how to maximise profitability on various insurance channels.
- Develop and analyse management & pricing information and carry out detailed investigations into specific performance issues.
- Responsible for co-coordinating and presenting MI on key particular products.
- You will be responsible for implementing identified initiatives and changes that are aligned with the agreed product strategy for Tesco.
- Make day to day decisions within the pricing guidelines.
- Perform a range of duties which may include dealing with business referrals from the relationship management team, assisting with the implementation of changes to policy wordings and guidelines, assisting with technical training and auditing, and the production and distribution of pricing and performance information and other research.
- To work individually and collectively with other members of their team to provide technical support and add value.

- Develop key business stakeholder relationships (internal & external) in order to ensure you understand the overall business context.

3. 4 Do SWOT analysis and prepare a marketing plan with marketing mix objectives and considering Segmentation, Targeting and Positioning within the marketing plan:

This report outlines international marketing strategy for Tesco for its market entry into Sweden with a range of baby wear. The SWOT and PEST analysis show that Tesco currently has the resource capabilities to successfully enter the market and implement a market development strategy. The report recommends that Tesco target the high-end market segment, target and position within the marketing plan.

This report will assist in understanding and the formulation of an international marketing strategy for Tesco Plc. The report will use analysis to provide an insight into Tesco's current market situation. This will help management in making the correct strategic choices in terms of corporate and international strategy in terms of launching a range of baby wear (infant & toddler clothes) into Eastern Europe (Namely, Sweden). The report will outline how Tesco will make such market diversity and also managing corporate portfolio. We will use the Ansoff Matrix to consider market entry models. The final part of this report will provide an activity plan for Tesco along with a profit and loss account. Measurements and control with contingency plans will also be discussed.

Company Profile

Tesco runs more than 2,300 supermarkets, hypermarkets, and convenience 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 urban 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 leading online grocery store and it is now expanding its business with a TV channel and a "retail based education institution".

SWOT Analysis of Tesco Plc

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

INTERNAL STRENGTHS

- 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

EXTERNAL WEAKNESSES

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

THREATS

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

External Environment – PESTLE Analysis

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

POLITICAL – Following the European Integration 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 uncompromisingly fighting to maintain its market share with an aggressive 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.

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 added 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 comprehensive 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 consequences for live