

# Swot analysis of tesco plc



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TESCO have secured commercial standing within the global market place winning Retailer of the Year 2008 at the “ World Retail Awards”. This can be used for marketing campaigns to drive advantage towards the demographic base for future growth and sustainability.

In an environment where global retail sales are showing decline or level performance on a like for like basis TESCO Group have published sales gain of 13% for UK markets and 26% growth in international markets.

As a business looking for continued expansion TESCO have reserve funds of credit coupled with income derived from property portfolio development funds.

Weaknesses

TESCO Finance profit levels were impacted through bad debt, credit card arrears and household insurance claims.

TESCOs position as a price leader in UK markets can lead to reduced profit margins in order to retain the key price points on must have commercial items.

Grocer outlets are not set up to operate as specialist retailers in specific areas of product which can be capitalised on by other smaller bespoke retailers.

Whilst current economic conditions suggest TESCOs key value message will succeed there is a weakness in non-essential, mid to high ticket price items which will suffer from the rising cost of living and lower disposable incomes.

### Opportunities

Statistics suggest TESCO is the third largest global grocer which indicates a level of buying power to ensure mainstream economies of scale.

The acquisition of Homever provides the opportunity to develop the brand through Asia, specifically South Korea and further grow International markets for the group.

The development of Tesco Direct through online and catalogue shopping will grow the use of technology, providing the launch pad for larger non food based products with moderate to high margin returns and less focus on sales and margin per foot return to space.

TESCO mobile have grown ¼ million customers in 2008 and moved into profitable status suggesting further growth and development within this technological area can be developed.

### Threats

UK and American markets have been affected by economic concerns through the “ credit crunch”. Lower available income will impact and strategic focus may need to change to lower priced basic products with less focus on higher priced brands suggesting a switch in price architecture.

Rising raw material costs from both food and non food will impact profit margins overall.

Sourcing changes to Far East locations with regards exporting restrictions on some non food product areas will reduce margin rates on products with already low margins.

Changes to consumer buying behaviours require further analysis – as technology develops consumer buying patterns change which will result in product areas requiring evaluation.

For TESCO there is a persistent threat of takeover from the market leader Wal-Mart who has both means and motive to pursue such action.

### Swot analysis of Tesco plc

We all know Tesco as a food retailer, and we know that they are in constant competition with other retailers such as Sainsburys and Asda, yet we do not know much about what goes on beyond the shelves and the tills, the

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marketing plans and the day to day tactics that have to be devised to stay the number one food retailer in the United kingdom today.

I am going to analyse Broughton Parks Tesco and their possible competitors

### Swot Analysis

Firstly, four main goals, under which these particular four are Strengths:

1. Tesco is about a strong UK core business. Last year the industry saw some very marginal growth as a whole, however Tesco continued to grow beyond the market by offering better value for money and through getting cheaper.

2. To be as strong in non-food as in food. The market for non foods (such as clothes entertainment cleaning products) is worth seventy five billion pounds in the UK today. You can see through the growth of their dot. com business which now has over four hundred and fifty thousand users and is the largest grocery online retailer in the world, and through the success of tescos personal finance with over 1, 5 million customers that they are making some real in roads into non foods.

3. International growth, Tesco have 30% of their stores outside the United Kingdom and plan to make it 45% by the end of next year, and will be approached through central Europe and trough Asia

4. To have the most loyal and committed staff.

Tesco as a company uses clear values to underpin what they do. Their core purpose is based on “ Creating value for our customers to earn their life time loyalty? Tesco have invested one billion pounds

Tesco believe that one of they offer the best quality on a broad range of products and believe that they offer the best value. They have invested one billion pounds since 1996 on the campaign to reduce prices to customers and that continues to build as they go in to 2004. They offer...

### **SWOT analysis of Tesco – Threats**

Possible threats to Tesco include fluctuations in the stock market and tax increases. Most companies worry about taxes, and have an objective of decreasing the tax burden. But probably the biggest threat is innovation by other supermarkets, including Asda, Sainsbury, Morrison, and Waitrose. Any SWOT analysis of Tesco must focus on these threats.

### **SWOT analysis of Tesco – Opportunities**

The main new opportunities for Tesco, as for all companies, is in the online arena, and a SWOT analysis of Tesco must focus on this arena. Tesco has already had many online successes, having turned the Amazon threat into an opportunity by selling books at lower prices. Tesco biggest problem in pursuing possible opportunities is deciding exactly which ones to pursue. A nice position to be in!

### **SWOT analysis of Tesco – Weaknesses**

Your SWOT analysis of Tesco is bound to reveal several weaknesses. One example, of many, is the amount of fossil fuel used in its transport network. With increasing oil prices, Tesco needs to keep a close eye on transport costs. Another weakness come from Tesco's dependence on the UK grocery market. Hence, it is increasing its foreign outlets and selling other goods.

## **SWOT analysis of Tesco – Strengths**

Tesco's strengths in grocery retail allow it to compete easily with companies like Sainsbury, ASDA, and Marks & Spencer. This has led to its brand name and financial power becoming strengths in themselves. This has led to many more stores being built at home and abroad, leading to geographical strength. The introduction of Tesco Express and Tesco metro show led to a strength in flexibility.

## **SWOT Analysis – Strengths**

Begin your SWOT analysis by producing a picture of Tesco's strengths using strategic marketing reports and other business resources. Specific analysis techniques to employ:

From the earliest stages of your research, generate an ongoing SWOT analysis diagram of Tesco's strengths, weaknesses, opportunities and threats. This will act like a mind map and brain storming tool that can lead you to ask more questions and generate more ideas than an unwieldy set of rough notes. Also, by the end of the process, you will have a diagram that could not fail to impress clients!

Visit a Tesco store and look for strengths in Tesco's direct marketing.

Compare Tesco with other stores. Ask questions like: Does Tesco have the best product line? Which supermarket group has the the best advertising?

Look at SWOT analysis case studies for Tesco, and for other companies.

These can be found offline and online. Find online sources by pursuing a Google search. For offline sources of information use your local university

and public libraries and ask for help from the librarians in finding what you need.

## **SWOT Analysis – Weaknesses**

In performing a SWOT analysis of Tesco's weaknesses, think about the weaknesses that other companies share with Tesco. For instance, comparing Tesco with British Airways might get you thinking about how dependent Tesco is on the UK market (73.8% of 2003 revenues.) Comparing Tesco with Amazon might reveal flaws in its attempts to move into new markets.

## **SWOT Analysis – Opportunities**

Some of Tesco's main opportunities are on the internet. Look at the Tesco website, and compare it to the opposition. Ask yourself: What opportunities is Tesco missing? Which opportunities are Tesco exploiting? For instance, compare tesco.com and amazon.com. How do the prices of books compare? Which site has the best features? What opportunities can Tesco take that Amazon might be missing?

## **SWOT Analysis – Threats**

Having already investigated the strengths, weaknesses and opportunities facing Tesco you should have some good ideas about the threats facing it. Concentrate especially on strategic planning to counter threats from other companies. For instance, investigate how Tesco's financial products compare with those from more established providers. A SWOT analysis of Tesco must consider all the competition in detail.