

What lead the success of tesco marketing essay



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The Market Strategy used by Tesco as a whole group is to expand and grow its market share into International market; retailing services and Non- food function, while continuing to develop the Core UK grocery sales. In UK, the market strategy used is to focus on meeting the customers' wants and needs with its best value of products and services by using the cost leadership and introducing non-food products and services to its existing food retail.

From using 4Cs concept to analyse the marketing strategy used by Tesco based in UK, we will have a detailed picture of how Tesco achieve its core purpose of obtaining its customers' lifetime royalty by offering them the low price products and services. The 4Cs are Customer Benefit, Customer Cost, Customer Communication and Convenience, which are equivalents to Product, Price, Promotion, and Place that used in 7Ps marketing strategy analysis. From concepts of the 4Cs market strategy, we can see that customers play a heavy role in today's business market strategy decision. Meeting the customers' wants and needs becomes more important than the product producing and designing, as an organisation can only sell a product or service which meets the customer's requirements, not the product or service it wants to produce or sell. This idea is also derived from Tesco's core purpose of ' create value for customers'.

Customer Benefits: This is also known as ' Product'. In order to sell a product or service, the ' benefits', the products or services offering have to meet the different customers' wants and needs. However, different customers' views of benefits are also different, like some people prefer to buy a car rather than a bicycle to obtain the benefits of convenience and safety, but some persons, who are environment concerned would like to purchase a bicycle as

it contributes no air pollution to environment and is also offering the chance of doing exercise and much cheaper price. Therefore, in order to satisfy different customers' requirements, the company's products' and services' ranges have to be wide.

Tesco offers a large wide range of products and services, from bread to clothes; from telecom to car insurance, it tries to meet different people's wants and needs in a one- stop-shop situation. While developing its own brands of products, Tesco also offers other companies' brands of products, for the reason of supplying such a large varies brands of products and services, is to provide more choices for customers when they are shopping at Tesco, and this eventually help it to meet the customers different wants and needs more successfully as they don't have to go to several places to find the products and services they need. For example, we can buy Tesco's brand of shampoo, as well as find Pantene, and microwaves in the stores.

In the store, they lay out the same category of products together, like the hair care is located closely to the body care. When you standing in front of a particular corner, you can compare those different brands of products, and select the ones that meet your requirements best.

By offering large ranges of products and services, and the widely different brands of a single category of product and service, customers are becoming satisfied while shopping at Tesco, and Tesco in return obtains their loyalty to its business, as customers know that they can find the exact products and services which meet their needs from Tesco at the right time and in a convenient place.

Customer Cost: This is the money paid by the customers for obtaining the benefits delivered by a product or service.

The pricing strategy used by Tesco now is the predatory pricing, which is charging a low price for its products and services with an intension to win the campaign with other supermarkets, like Asda, and save money for customers, as well as sets a barrier for new entrants. For achieving this aim, Tesco always takes out the price comparison with other supermarkets, and then tries to cut off the prices as possible as it can.

Although almost customers want to pay for their shopping as low as possible, they also have the idea of high price means high quality, low price means low quality. Hence some customers might doubt about the quality of the products and services offered by Tesco, as it puts a heavy emphasis on its low prices for the products and services offered in the stores. Therefore, there is a threat for Tesco on the quality of products and services it is offering, as some customers care more about the quality of products and services rather than their prices. The emphasis on low prices currently might also be dangerous in the future when Tesco wants to increase the prices for its products and services, as it has already created a high reputation for low price.

Customer Communication: In order to understand customers' wants and needs better, the communication between the organisation and its customers must be effective and efficient.

' Clubcard' royalty membership scheme used by Tesco is its one main way of communicating with its customers. This scheme allows customers to gain

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points on every pound they spent at Tesco. Every 100 points are converted to £1 Clubcard vouchers, the more points we collect, the more cash equivalent vouchers we have. Then we can use these vouchers to shopping at Tesco or its related partners' brands, such as Johnsons dry cleaner, Beefeater restaurants, and so on. In order to attract all different segments of customers, and provide something for a whole family, Tesco divides the Clubcard membership into several clubs, Tesco Kid club, Tesco World of Wine Club, Tesco Baby and Toddler Club etc. The membership is free to all customers to join; we only need to fulfil a Clubcard membership form either by going on line or by post. The aim of issuing ' Clubcard' is to save money for customers while they are shopping at Tesco. When there are new products and services introduced or sales promotion carried out, Tesco will send out the information of these new products and services, and sales promotion to the ' Clubcard' holders for their awareness by post.

' Every little help' is the slogan used by Tesco for its advertisement, it believes that cumulative of every little help offered by every time when customers shopping at Tesco, can become a very useful tool to attract its customers' attentions as they know they can get something extra for free or in a low cost. In the advertisement, it shows to every person in front of the TV for what it has in stores already, what products and services it introduced to its stores recently, and the prices charged for these products and services, as well as the price comparison with other supermarkets.

Tesco also takes out the sales promotion several times a year, during these periods, we can buy some products with a ' buy one get one free' or ' three for price of two' or deeply cut off prices. This process is help Tesco to get a

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quick respond from its customers, and also used when it is trying to introducing new products to its stores.

Communication methods used by Tesco, are centred to its customers, for example, the advertisements are always showing during evening time, as this time, almost of people are free to sit down in front of the TV; and some sales promotion are carried out in November, because people usually like to prepare every things needed for Christmas in advance. How successful the communication is, depending on how it is approaching to the customers and what kind of responds received from the customers. People only like to respond to their suppliers if they feel that they have been treated in a pleasant way.

Convenience: This is the concept about the place where the organisation should be. It is a very important decision for the organisations as a suitable location can help the organisation create a good image and attract their customers to do business with them.

In UK, Tesco runs 4 different store formats, Tesco Express, Metro, Extra, and Homeplus. The ranges of products offered in these different store formats are different.

Tesco Express: This kind of store is mainly located in areas where are close to people's work and live places, like in high streets, petro stations and residential areas. For this reason, the size of this type of store is the smallest comparing to other three formats of stores. The products offered in this format of store are mainly the fresh made products, limited types of

vegetables, in-store bakery, drinks and snacks etc, for the purpose of meeting its customers' daily essential needs.

Tesco Metro: The size of Metro store is between the Express and Extra stores, they are often located in the town or city centre. People in those areas are busy with shopping or working, therefore, Metro focuses more on offering food products, such as sandwiches, ready made meals and so on. According to its locations, the prices charged for those products offered are higher than these in other stores, as it has to charge a price which can cover its store's higher rent and other overheads costs.

Tesco Extra: As this type of stores offer the widest ranges of food and non-food products and services, they usually locate outside the town or city in order to have an enough space for those products and services. We can find almost every thing we need there, like sweet, clothes, and even garden furniture. When we are tired, we can go to its cafe shop to have a rest. Hence, it provides a relaxing environment for shopping. Tesco Extra is very convenient for people who work 5 days a week or those who would like to shop weekly. For the locations of the stores and the widest ranges of products, the prices are also varies. We can buy a bag of sweet of less than £1, which we might not find in the Express or Metro.

Tesco Homeplus. As I pointed out earlier, Tesco' s UK marketing strategy includes the expansion of its scope into non-food function, Homeplus stores are newly launched by Tesco to focus on non-food function. The widest ranges of non-food products are made available through the Tesco Direct order and collection points.

Tesco direct order is the main aspect for its on line shopping, which is very successful for attracting customers' attentions due to its widest ranges of products and services. From the direct Tesco website, we can buy PCs, clothes or groceries, and have them to be delivered to our doors. This is very convenient for those people who do not have time, or those who do not have the ability to go shopping at stores.

From the locations of these four different formats stores and the ranges of products and services offered by them, we can know that the process of deciding which format of store should be in a particular location and what kinds of products and services it should supply are depended on the segments of the customers in the area. Like in city centre stores, Tesco uses Metro to focus on providing food products, e. g. fresh made meals and sandwiches, as the people in these area are busy, what they want are the ready made food, which can save them time for having a quick lunch; and for its Extra stores, we go there as we would like to purchase everything we need for a week or a period of time, due to this reason, the store's space is needed to be large enough in order to provide a room for the widest ranges of products and services .

Therefore, Tesco's different store locations and the widest ranges of products and services are perfectly focused on meeting the different segments of its customers' wants and needs.

Conclusion

From the analysis of the 4Cs (Customer Benefit, Customer Cost, Customer Communication and Convenience) marketing strategy used by Tesco, we can

conclude that the reason behind Tesco's success is it obtains a strong long-term relationship with its customers by focusing on meeting customers' wants and needs through providing them with the low price & the widest ranges of products & services and its convenient stores access, as well as the effective communications. This strategy also help Tesco create a high reputation for being customer centred as it always tries to think in the way of customers think, low price, convenient shopping areas and wide ranges of products and services.

In order to achieve this strong long-term relationship with the customers, Tesco uses the ' Clubcard' royalty membership scheme as a main way to communicate with its customers, and tries to help customers save money on shopping, as customers can collect point for every pound they spend by using the ' Clubcard', and eventually covert the points into the cash equivalent vouchers. The different clubs meet different segments of customers' requirements. When deciding what ranges of products and services should be provided in a particular format of stores, Tesco concerns about the area's locations, and the segments of the potential customers in these areas. The development of the formats of stores is due to the purpose of Tesco for trying to provide its customers with a one-stop-shop environment, and attract the existing and potential customers' attentions to its widest ranges of the products and services and its convenient locations for shopping. The on line shopping system also helps Tesco to achieve a good relationship with its customers, as it provides a probability to customers for shopping at home. Like it says ' You shop, we drop'.

Being customer focused and gaining their lifetime loyalty by providing them with the low price & the widest ranges of products & services and convenient stores locations are leading the success of Tesco; and also offering a valuable opportunity for Tesco to expand its scope to non-food, international and retailing services from its original food supplies. However, low prices strategy might be dangerous if Tesco wants to increase its products' and services' prices in the future, as it might damage the high reputation already created for low prices.