

The report on ecommerce in tesco plc marketing essay



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The present business environment is characterized by rising cut throat competition amongst competitors, ever increasing consumer demands, technological advancements, regulatory changes etc (Hill & Jones, 2007). In such a situation, it becomes critically important for an organization to look for tools and modes of businesses which help them sustain their position and protect their competitive edge while reducing the costs of operations and enhancing profitability. Ecommerce is one such tool which helps organizations to undergo such. Ecommerce has brought revolutions in the mode of operations of organizations, and this has attributed 21st century in being known for its electronic economy (Coundouris, 2012). For the purpose of this assignment, Tesco has been chosen whose present ecommerce activities, and its implication will be looked into.

Task 1 – About Tesco Plc

Tesco Plc is one of the largest global retailers of general merchandise and grocery. The British company, has the present rank of being the 3rd biggest global retailer as per the revenues generated (Reuters, 2011). It has presence, in more than 14 countries and is the market leader in groceries in its home country, United Kingdom, Thailand, Malaysia and Republic of Ireland (Finch, 2010). Tesco plc has present employee strength of more than 5, 00, 000 in its global operations dedicated to providing the best choice, value as high quality service to the millions of customers base (Tesco Plc, 2013).

1. 1. Business Functions of Tesco

Tesco is a leading global retailer having its headquarters in United Kingdom. In order for it to maintain its business efficiency and productivity, it needs its main business functions to operate in an effective fashion. The main business functions of Tesco are - Finance, Procurement & Purchase, Human Resources, Sales & Marketing, Information Technology and Supply Chain Management, business services consultancy etc. Along with this, another critical function of Tesco is the research and development function.

1. 2. Tesco's aim & its relation to stakeholders

Tesco's main business aim is based on seven strategic pillars (Tesco Plc, 2013). These are as follows;

- Growth in the United Kingdom markets
- Being an outstanding retailer both online and real world
- Achieve a stronghold in the food items
- Experience a vast growth of the entire range of retail services in their different markets
- Putting responsibilities in the communities which are served by them and undertaking initiatives for the welfare and overall benefits
- Creator of a large number of high value brands
- Aiming to build a manpower team which shall help in creating more value for the organization and its services.

Tesco places immense importance on maintaining and improving the stakeholder relations. They value their stakeholders and undertake initiatives to help and strengthen their relationships with them. The following are the lead stakeholders of Tesco Plc;

Customers: Tesco places significance on the feedback provided by the customers in developing new products and services to help them serve more efficiently. The program of customer question times is critical, as through this the staff can take the ideas and opinions of the customers.

Employees: Tesco is a pro-employee company, and believes that the only way it can sustain its competitive edge over others is by valuing their employees. Tesco management encourages feedback from the staff employees through different programs namely, the Staff Question Time, Viewpoint Staff Surveys, Processes of Staff Forum etc.

Suppliers: Supplier relationships are an aspect which is critical for the success of Tesco, and the latter takes an active role in developing the suppliers for meeting their quality criteria and standardizations.

Investors/Shareholders: Tesco has in place an efficient Investor Relations team which, maintains the investor relations.

Society at large: The society in which Tesco operates is also impacted by the organization's operations, thereby serving as a key stakeholder of the retailer.

Non Governmental Organizations: Tesco on a consistent basis meets with the different nongovernmental organizations in order to understand as well as respond to the different areas of concerns.

Task 2 – Impact of e-commerce

2. 1. Impact of E-commerce on Tesco

As per market experts, ecommerce is a tool which has revolutionized the relationship of the business and the consumer. As per the opinion of Terry Leary in 2001, the then Chief Executive of Tesco, the company has been able to develop the most efficient and best online system of grocery system in the globe. Tesco has been one of the first organizations to have understood the power of internet and incorporated such in their regular business functions since 1994. It established its online grocery shopping website for the first time in 1996. Finally, in 2000, the online website of Tesco was formally launched. Tesco in the present date has indeed emerged as the largest e-grocer globally (Tesco Plc, 2013). Tesco has played a critical role in changing the habits of purchase of the consumers. No longer, does the consumer feel the need to physically be present at the supermarkets and grocery stores in order to purchase their daily requirements. Presently Tesco's website has wide product offerings in categories of fresh food and groceries, clothing items, food, wines, gadgets etc. Tesco, as per recent announcements intend to invest more on the ecommerce aspect in developing a full 3D immersive web store which will take e-shopping into the next level and can be possible due to the rising broadband speeds of the UK users and the popularity of smart TVs (Chapman, 2012).

2. 1. 1. Risks of ecommerce in Tesco

Tesco's ecommerce activities have been recently criticized by market experts, namely, Troy Hunt, a Most Valuable Professional of Microsoft. As per him, Tesco overlooks certain basic security measures namely, password storage and protection, unselective encryption, a mixed aspect of the browser warnings as well as content, insecurities originated through different HTTP cookies, mis-configuration of security which act as significant risks for the ecommerce activities of Tesco (Hunt, 2012).

2. 2. Global Impact of Ecommerce on society

Ecommerce has a thorough impact on the global economy and society. As ecommerce enables people to shop from the comfort of their homes or offices, and ensure access to a wide range of products irrespective of the geographical boundaries, it has gained more competitive momentum and consists of very low barriers of entrance. This has in fact motivated a large number of businesses to adapt ecommerce in their normal modes of operations.

Ecommerce has been a part of the large process of social change, constituting the globalization of the economies, transformation towards information and knowledge, increased prominence of different forms of technology etc. Electronic commerce is helping in shaping the entire society as a whole and hence, societal factors have a direct influence on the growth of such phenomenon. There are two societal enabling factors which fuel the growth of ecommerce. These are – digital economy and trust & confidence

(Gibbs, Kraemer, & Dedrick, 2003). However, the impact of ecommerce on societies can be explained in the following points;

- Ecommerce has totally revolutionized the mode of purchasing by consumers. This has resulted in the massive savings of time, which these individuals can now contribute in generating more value.
- It has significantly helped in strengthening of the social infrastructure by bringing on improvements in health, education, human resource developments, and training and in the overall sense of the communities. The specific technologies which are associated with ecommerce namely, in the automated payment systems, smart cards, e-information etc, play a critical role in the nurturing, delivery and strengthening of these services.
- Ecommerce has impacted the overall society by bringing in differences in some generalized social effects. Firstly time is an example of such. Ecommerce helps in efficient time management and has brought about a wide change in the concepts of time. Shorter product life cycles, round the clock operations and delivery of products and services are concepts which evolved with the evolution of ecommerce (Lewis & Cockrill, 2002).
- As per studies conducted it has been observed, with the spread of ecommerce, individuals and families using such intend to have a higher than the average household income etc.
- As ecommerce was initially established more in United States, their native language is more prevalent in the electronic commerce. English and

specifically American English has been the predominant language of such internet technology.

– Ecommerce has achieved a more or less equal familiarity with both its female users and male users. Hence, gender division has become less of a specific issue. As per surveys conducted of different websites, it has been observed that though women are the primary users of websites on shopping, retail, men have been the dominant users of car sites, gadgets etc (Marsden, 2000).

Task 3 – Designing ecommerce solutions

3. 1. Market potential of an ecommerce opportunity in Tesco

Tesco presently has more than 6234 stores in over 13 countries of operations and enjoys vast global customer base. It was one of the very first retailers to have started the ecommerce interactive website, and what was once solely used by a small consumer base of 450 has now thrived to become a booming business of ecommerce. Tesco already has in placed a large number of ecommerce activities, which have vast market potential. However, the company is now working on innovative technologies to make the shopping experience of customers from home a more enriching and realistic experience.

Tesco is intending to launch a 3 dimensional ecommerce experience to help their consumers derive more value from their online presence. They are focusing on creation of a 3D store, which are now possible due to the prevalence of high speed broadband and a strong web browser (Chapman,

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2012). Users can enter such 3D stores through the interface of smart televisions, and can select their products of choice from virtual racks of products as are placed in the brick and mortar stores. This initiative of Tesco takes ecommerce to the next level, and hence such has immense market potential. However, a critical necessity for consumers in order to take active part in such 3-D e-shopping is that, they must have in place smart televisions. This though is prevalent in first world nations, is gradually being adopted by the developing countries.

3. 2. Present ecommerce systems used by Tesco

Tesco Plc uses a specific interactive model named as the Market Portal Model for all its ecommerce activities. This model helps in integrating the supplier as well as the buyer sides and further adds relevant features and functions which help both the stakeholder groups in conducting business in an efficient fashion. This specific model is also being used by leading retailers namely, Walmart and has high utility in inventory distribution as well as management. This specific model is a transactional model, where it enables the buyers to purchase goods from the Tesco website, the information of which reaches the suppliers as well as Tesco. Suppliers have access to restricted information about such purchase and undertake actions regarding delivery and distribution.

Tesco has invested in a heavy fashion in undertaking ecommerce activities, presently offering a specific mobile application along with an overall website for the customers of United Kingdom, the service of which is spread across the 70 + stores situated across Britain. This enables the nationals to

purchase from Tesco from their mobile phones, iPad, laptops to collect groceries and other items. Tesco has been intending to expand their online store and purchasing facilities of fresh groceries and food items to other nations where they have based their operations in. Namely, in 2010, the leading retailer had planned to expand in Prague, Poland by October 2012 with further expansion to leading emerging markets of China, India, and Malaysia in the future. It is till date is in tandem with its targets.

Instead of building specific and separate platforms of ecommerce for different nations, the British retailer built a common overall template which could be successfully utilized in the different international websites (Cotterill, 2012). The in-house team of Tesco present in India and United Kingdom built such a platform which is designated to work across the borders. Building such a common platform has been associated with a large number of challenges which were managed efficiently by the in house team of professionals of Tesco.

3. 3. Financial implications of ecommerce solutions in Tesco

Tesco has been identified as the most popular online shopping website amongst the UK buyers as according to a number of surveys (Charlton, 2011). As per the statistics obtained from comScore, Tesco occupied 66% of the total online shopping market in 2006 itself. The retailer accounted for £ 1 of every £ 8 spent on the high streets of UK, has been named by a number of market research companies as being the biggest online grocery services (Best, 2006). As per recent surveys, UK consumers spent around 6. 4 billion pounds during October, 2012 which was a record rise since the statistics of

last year. Also, as per the survey conducted by IMRG and Capgemini, online spending would further increase greatly in the future with Tesco occupying the largest chunk of such (Deatsch, 2012). Alongside, mobile sales have also increased which is leveraged by the mobile app designed by Tesco. The financial implications of such are in higher profitability, and revenue generation for the leading retailer.

3. 4. Design an ecommerce solution

With customers becoming more technologically savvy and having high expectations from online retailers Tesco needs to be updated about the future trends of ecommerce and need to adopt such in order to launch innovative offerings to the customers. Tesco has been undertaking heavy investments to focus on ecommerce solutions, the most recent of such being the one billion pound investment strategy of developing the online websites through the Marketplace, which will enable the consumers to purchase other third party products from the website of Tesco.

Tesco can undertake options through which, consumers while purchasing items from Tesco, can also aim to sell them to prospective buyers through the website. This will help in generating more interactions between the retailer and the consumers and will popularize it further. Further, Tesco can incorporate click and collect options of online purchases, where consumers can purchase products online, and collect such on their own time from a large number of collection points spread across the nation. Tesco can incorporate these points and design new solutions of ecommerce which will help in enhancing the customer satisfaction further.

3. 5. Suitability of an ecommerce application

Consumers increasingly provide importance in fast delivery of the products purchased through ecommerce channels. However, this does not signify that they are willing to pay extra shipping costs for such fast deliveries. Rather, it has been observed that, the concept of purchasing goods online, and collecting such by themselves is gaining importance. This is known as the Click and Collect concept. Tesco has already launched click and collect system, and is aiming to establish a large number of collection centers around Britain (Hall, 2012). As the customer feedback to such a system has been immensely positive, hence it can be safely concluded that such an ecommerce application would be suitable in the future.

Findings

The following are the core findings of this report;

- Ecommerce is a specific industry where selling and buying of goods and services are conducted through different computer systems and internet. Ecommerce in present times, works on different technologies of mobile commerce, internet marketing, electronic funds transfer and data exchange etc.
- Tesco, the largest retailer in United Kingdom places immense importance on ecommerce and has the very first retailer to have successfully launched the online website amongst its counterparts.

- Ecommerce has successfully revolutionized the mode of conducting business and simultaneously has impacted the society in bringing positive change in education, health, communication, other social factors etc.
- Tesco utilizes the Market Portal Model of ecommerce in its operations and has in place a very effective online shopping website specifically for the UK customers.
- In 2010, Tesco had targeted to expand its online grocery shopping options in other regions namely, Prague and Poland by 2012 and further into other emerging nations of India and China in future
- Tesco has invested to build a uniform platform of ecommerce, which will be applicable to different nations instead of building separate country specific channel. Further, Tesco, is focusing on building a 3D market place, through which buyers can have a look at the virtual market place through internet and smart televisions from the comfort of their homes while making purchases.

Recommendations

In order for Tesco to be successful in their endeavors, the following recommendations should be followed by them;

- Tesco should give initiative in understanding the different multichannel aspects of ecommerce and in identifying and strengthening the various checkpoints of such multiple channels (Dougall, 2012)

- Next Tesco should place more importance on the power of the mobile commerce, and build dedicated strategies to manage such effectively
- The concept of click and collect must be explored and more collection points must be established
- Aspects of real time bidding should also be looked into

Conclusion

Ecommerce has gained widespread importance in today's business world and is expected to gain a higher momentum in the future. Tesco Plc, the organization chosen for this report has been placing immense importance on such ecommerce activities, and has in store relevant strategic objectives which will help in enhancing the performance and the profitability of the company. This report would be of significant help to students of business management as they would obtain a comprehensive picture of ecommerce and its implications on a leading organization of today.