

Pest tesco pakistan

[Business](#), [Company](#)



Marketing Planning in a Global Environment Group Assignment No: 1 Topic: What is the purpose of a Political, Economic, Social and Technical (PEST) environmental analysis for companies in relation to their global (marketing) strategy? Present a PEST analysis for ONE of the following four companies: the computer chip manufacturer Intel the train operator Scotrail the food etc. retailer Tesco the book shop retailer John Smiths {draw: frame} Group Members: Bushra Yaseen Naureen Ruftaj Mahmood Ali Suhaib Hussain Baluch

Submitted to: Sushil Mohan Dated: 26/February/2010 {pcut: paragraph_to_cut} Introduction: The assignment aims to apply the PEST analysis for TESCO (a British international grocery and general merchandising retail chain) if they were to launch the stores in Pakistan. The assignment takes into consideration all the factors (Political, Economical, Social & Technological) which might affect Tesco when it starts operating in Pakistan. {draw: frame} {draw: custom-shape} {draw: frame} What is PEST? Why Pest is used?

PEST is an abbreviation of political, economical, social and technological analysis which describes the macro environment factors used to conduct a strategic analysis or performing market research. Political Analysis includes political stability, legal framework for contract enforcement, intellectual property protection, trade regulations & tariffs, pricing regulations, taxation - tax rates and incentives, wage legislation - minimum wage and overtime, product labelling requirements, environmental regulations.

Economical Analysis includes type of economic system in countries of operation, government intervention in the free market, exchange rates & stability of host country currency, efficiency of financial markets, infrastructure quality, skill level of workforce, labour costs, business cycle stage, economic growth rate, unemployment rate, inflation rate, interest rates. Social Analysis includes demographics, class structure, education, culture (gender roles, etc.), entrepreneurial spirit, attitudes (health, environmental consciousness, etc. Technological Analysis includes recent technological developments, technology's impact on product offering, impact on cost structure, impact on value chain Structure, rate of Technological Diffusion, technological Knowhow. Advantages of PEST Analysis It facilitates an understanding of the wider business environment. It encourages the development of external thinking and strategic thinking. It can enable an organization to anticipate the future business threats and take action to avoid or minimize their impact.

It can enable the organization to spot the new business opportunities and make use of them fully. {draw: frame} Introduction of TESCO Tesco, the leading Britain retailer commenced its business in 1919 in East London by Jack Cohen. Tesco now has 4308 stores with approx 440, 000 employees. It is basically a retail service provider but it has diversified itself in telecom sector, health sector, clothing sector, hosiery, dental plans, DVDs, Internet services, financial services, pharmacy, car insurance, musicdownloads and software.

Tesco is providing the products and services as per changing consumers' needs and demands therefore; Tesco wants to facilitate its customers as much as it can. Mission: 'Creating value for customers, to earn their lifetime loyalty'. Vision and Values: Our core purpose is to create value for customers to earn their lifetime loyalty. We do this through our values and code of conduct, the way we choose to work at Tesco. Our values are summed up in two phrases - 'no-one tries harder for customers' and 'treat people how we like to be treated'.

Tesco's stores are divided into the six following types: Tesco extra stores are larger in size (located away from main city centres) and have all Tesco's product range. Tesco superstores are mainly having grocery items and a small range of non-food items. Tesco Metro stores are located in city centres and high streets. These stores are medium in size and offer limited range of items. Tesco Express stores are smaller in size to facilitate the customers on Esso petrol stations and small shopping places located in residential areas.

One Stop stores are smallest in size and are part of Tesco Express. Tesco Homeplus stores offer all of Tesco's ranges except food in warehouse-style units in retail parks. *Marketing Objectives:* Increased Profitability Growth in Market share Emergence in new markets Customer advocacy Respected company/ brand awareness. Employees growth and motivation Emerging in new markets is the main focus of Tesco's future planning. Initially the global expansion plan of Tesco was not successful but later on Tesco started the localization of its products and stores as per global markets.

The global market strategy of Tesco is the growth in grocery items, non-food items, international expansion and other services offered by it. Tesco's

Global Presence (Appendix C) Political Factors The following are the Political factors regarding the Pakistani government which are likely to influence the operations of Tesco when they decide to launch its store chain in Pakistan.

Political Instability: The political instability is the major factor of low foreign investment in the Pakistan. It creates uncertainty in the minds of investors.

Because political uncertainty refers to the reaction by people to any change in the political scenario. The reaction can be in the form of protests or rallies in which the properties of government along with others have been destroyed in the past by the angry mob of people. This has resulted into the loss of millions and billions of Dollars to the companies. Tesco needs to keep in mind that in Pakistan if there is any instability politically, foreign companies get affected the most. It is very difficult for the government to provide foolproof security to their stores.

Threat of change in Government: The rules and policies (Tax rates) given by the government also changes by the change of the authority or government.

Bargaining Power on Taxing: Since the Government is encouraging the Foreign Investments and new entrants in the field of departmental stores (Cash & Carry) therefore, Tesco can use its power of being a huge foreign investor to have tax rates which are lesser than others. Keeping in mind the current situation of foreign investments (very low) the government might offer a lesser tax rate to Tesco.

Fluctuation in Trade policy: There is very high frequency of changing trade policies in Pakistan. The fluctuation in trade policy results into an imbalance between exports and imports. Economic Factors Inflation Rate: The inflation rates gives an idea about the price increase over the past few years and it tells that at the moment in Pakistan it stands at 10.3% approximately which is quite high. For a country that has such high inflation rates, it gets really difficult to operate at lower prices. Cost of Security:

Tesco would have to spend a lot of money on the security because as Tesco is a foreign brand a lot of security threats would be faced by Tesco. Since the government is unable to provide foolproof so Tesco would have to engage a private company for its stores which would increase cost. Fluctuating Exchange Rates: Devaluation of money (Cost of Capital goes down) and increasing exchange rate discourages the investors to invest in Pakistan's market. Cost on Energy: The country is also suffering from Energy crisis (Electricity) so this would give rise to a problem of Electricity in Stores.

There is load shedding of electricity of minimum of 6-8 hours in urban areas. Therefore, an alternative source of generators would have to be used by Tesco for their stores. Which would result into an increase in cost of Tesco and since Tesco stores remain opened for 24 hours, therefore, their charges for electricity (which would be on generators) would be doubled Intense Competition: Tesco is likely to face a very intense competition from all areas. There are cash and carry stores already located in the major cities of Pakistan (one in each) like Makro and Hyper star.

Apart from that there are a very huge number of retailers present in every town (almost in every other street). For consumers, switching costs might increase if they plan to purchase a product from Tesco. The switching cost can be higher in terms of time and the distance. Purchasing Power: Tesco might need to look into the purchasing power of consumers in Pakistan. The purchasing power would help Tesco to determine the size of the potential market (revenues). Socio-Cultural Environment Behaviour of Pakistani Consumers:

First of all society and the culture of Pakistan and its markets are not as much adaptive to changes. So it would be difficult for Tesco to get sales.

Convenience of Time & Distance: The habit of Pakistanis is to buy goods from the nearest market on the day to day basis in order to save time and cost of travelling to a megastore which might be located far away from them. The

Power of 'Credit Sales**': Another problem which Tesco might face is that there is a trend in Pakistan of consumers that they buy groceries from local retailers on credit and pay them back after they get their salaries.

Bulk Shopping: Most Pakistani consumers lack the concept of bulk shopping. It is not in their culture to shop in high quantities. Since the purchasing power of majority of people is not very high so they prefer to buy items day by day (as and when needed). Creating Demand for ready cooked Tesco's food products: It has been observed that in UK and other European countries there is a huge demand of Tesco's ready cooked meals. But if we look at the social behaviour (taste) of Pakistani consumers it still reflects the conventional ways of food consumptions (3 heavy meals / day).

Consumers like to cook themselves at their homes. The existing culture as far as the consumption of food items is concerned might pose few problems for Tesco. *Culture for *24 hour* shopping*: Tesco might find it hard to attract consumers at night because it is not in the culture of Pakistani people to shop late at night. They shop during the day timings or evenings and prefer to stay home take rest at night so Tesco would certainly need to do something to change this habit of Pakistani Consumers. Technological Environment Online Shopping:

Tesco would have to invest a lot of money if they decide to serve customers through online shopping. The reason being that it is very difficult (Costly) for them to set up an Information Technology infrastructure which would enable them to serve customers through internet. Payments through Debit Card: Another area in which they might need to focus on is payments through debit cards like they have this facility in their stores in other countries. Since megastores generate a lot of revenue through impulse buying as well so the consumers might not carry cash for such purchases.

In order to avoid losing customers, Tesco would have to create an arrangement with the banks in a way that it enables the customers to use their debit card while making purchases at Tesco. Installation of Security Equipment: By considering the current security situation of the country, Tesco would be required to install latest expensive security equipments such as Closed Circuit Television (CCTV), scanners, metal detectors. Etc Solar Energy as source of Electricity: Since electricity is a problem in Pakistan,

what Tesco can do is that they can install the solar energy lit appliances to utilize solar energy to generate electricity.

Since the weather of Pakistan is mostly sunny, we believe Tesco can make use of this technology to benefit itself. Conclusions & Recommendations

After carrying out the PEST analysis for Tesco on Pakistan we came up to few recommendations. It is advised that Tesco should launch its retail chain in Pakistan because Pakistan like other developing countries is a high potential market (in terms of revenues) for the investors. We have also observed that Carrefour has launched Hyperstar which is doing very well in terms of revenue generation and profits.

Since it is not a good time as far as the political environment is concerned and foreign investors are not willing to invest in Pakistan so this might help Tesco to have tax rates lower than others or they might negotiate with the Government of Pakistan to raise a barrier for new retail store entrants for particular years so that Tesco establishes itself properly and achieves economies of scale (which would serve as a barrier to new entrants) Since Tesco is open 24 hours a day so they would need double resources (in terms of Technological & Human Capital) but it might not be a good option in Pakistan because mostly consumers in Pakistan do not prefer to shop late at night because issues like security and others. So we suggest Tesco to operate 12-16 hours per day. This way Tesco would be able save a huge amount of cost which would have been incurred by just operating 24 hours a day.

We believe Tesco should launch its operations into Pakistani market in order to follow their growth strategy through international expansion. We are very sure that Tesco will be able to gain a decisive amount of market share in order to show its dominance in Pakistan. APPENDIX A {draw: frame}

APPENDIX B Application of PEST Business planning , {text: list-item}

Marketing planning, {text: list-item} Product development, {text: list-item}

{text: list-item} Organizational change, {text: list-item} Research reports.

{text: list-item} {text: list-item} {text: list-item} APPENDIX C {draw: frame}

This table is taken from Tesco Preliminary Results 2008/09 Additional

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