Tesco swot analysis - 2015 - 2017

Tesco plc was the UK’s top retailer in 2013 (Retail Economics, 2014) and maintains a presence in 12 countries in Europe and Asia (Tesco, 2014).

To sustain its position and build profitability, Tesco must assess its strengths, weaknesses, opportunities and threats (SWOT). Strengths and weaknesses focus on internal factors affecting a company; in contrast, opportunities and threats identify external issues (Collins, 2010). Thus, it is important to carry out a SWOT analysis to ascertain how the company is performing in the market (Kotleret al., 2013).

Strengths

Tesco is a powerful retail brand globally, in the top 100 of the world’s most valued brands, slightly below Ikea and well above eBay (Brand Finance, 2014). It is known as a company that offers value for money, convenience, a wide range of products, and locally-sensitive management (Wood and McCarthy, 2014). Worldwide, Tesco has 6, 784 stores, an increase of 433 stores since 2012, despite the disposal of their US venture, Fresh & Easy (Tesco, 2012, 2014). Tesco has utilised innovative business methods in its rise, including the creation of stores like Tesco Metro and Tesco Express, which are small stores in local neighbourhoods to make shopping more convenient for the customers (Schiraldi, Smith and Takahashi, 2012). Other strengths in their global operations include online shopping, joint ventures, such as in China, and local recruitment, including in senior management positions (Koen, Bertels and Elsum, 2011). Because of their size and facilities, Tesco can buy in bulk, benefiting from economies of scale (Blythman, 2012). This permits the company to lower prices to keep prices attractive and be competitive with UK retailers such as Asda or Sainsbury’s.

Additionally, by creating loyalty packages such as the Clubcard, they retain customers, creating long-term relationships (Felgate, Fearne and Di Falco, 2011).

Weaknesses

Tesco has grown to be a very big company with a very wide range of products, diversified into food, books, clothing, furniture, insurance, petrol, and financial services. This model has its weaknesses. Tesco’s profit has been impacted by bad debt from credit cards and high levels of household insurance claims (Ruddick, 2014). Another issue is Tesco’s lack of experience in some markets that it intends to enter, such as its own brand smartphones and tablets (Wood and Gibbs, 2014). Finally, Tesco needs to invest a lot of cash in new web technologies and IT, as well as store refurbishment, diverting cash from price reduction strategies (Ruddick, 2014). This is likely to have an adverse effect on sales (Bunn and Ellis, 2012).

Opportunities

There are many opportunities for Tesco, including expansion into markets such as digital entertainment, through their 80% investment in Blinkbox (Hall, 2011). The move by Tesco to offer own-brand tablets and smartphones can intersect with this investment, particularly in foreign markets such as Malaysia, South Korea, Thailand, and China (Piercy, Cravens and Lane, 2010). Online shopping can offer greater flexibility to customers who are leading busy family lives or have mobility issues; Tesco is trying to meet the needs of the customers by expanding operations in this sector (Ma, Ding and Hong, 2010). The ongoing effects of the recession, where families and individuals may be struggling financially, or too busy working to cook

(Thompsonet al., 2012), can be accommodated through wider value and Tesco's Finest branding. In addition, further overseas expansion could occur in markets such as Australia, where the grocery retail market faces relatively limited competition yet is fiercely price-sensitive (Clarke, 2012).

Threats

Tesco is confronted by many threats in the market. Their current position as number one in the UK grocery retail sector means that they are the target of consistent competition from Sainsbury's, Asda, Morrison's, and, increasingly, Lidl and Aldi (Stevenson, 2014). One threat that Tesco continues to resist is the takeover of Asda by Wal-Mart. Branding of stores as Asda Wal-Mart has been increasing in the UK, demonstrating a weakening in the consumer disdain for Wal-Mart. The ninth most-valued brand in the world, Wal-Mart is Tesco's largest global competitor and therefore has the necessary skills, resources, experience and funds to cause Tesco problems (Brand Finance, 2014). The effect of town planning and consumer intolerance for out-of-town stores, as well as concern for the livelihood of small shops, can also imperil Tesco's expansion plans (Stevenson, 2014).

Conclusion

SWOT analysis allows marketers to identify risks in their environment. Once risks are evaluated, measures can adopted to mitigate against the adverse effects of market changes, or take advantage of openings (Kotleret al., 2013). Although a retailer may still face enormous challenges, such as Tesco is presently experiencing (Ruddick, 2014), developing flexibility enables companies to structure plans to optimise success, or avoid entering into projects in which failure is a significant possibility. Strengths may be

tailored to opportunities in the market, so that strategies are enhanced and clear objectives set (Kotleret al., 2013). Through consistent planning and economic awareness, Tesco is well placed to secure its future, as
its diversified retail strategy is likely to accommodate increasing consumer reliance on online shopping, digital products and services, discount grocery services.

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