

# Example of report on retail marketing- individual assignment

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



## **Introduction**

The size of retail market has grown over the years with the increase in the number of products and rise in demand in the mass market. The retail power with innovation in technology has helped in lowering costs by achieving high economies of scale and at the same time improving the quality of service which has increased the bargaining power of retailers. Moreover, information technology has resulted in automating the systems at large retail outlets, giving them a competitive edge by capitalizing on the advanced IT solutions available in the macro environment. However, with the increase in demand and opportunities, there has also been an increase in local and global competitiveness giving rise to new issues and challenges for the retailers .

## **Industry Structure- UK Retail Industry**

The retail sector of United Kingdom is one of the largest private sectors in U. K. The sector growth in previous decades had been due to the value provided to customers and the increased employment opportunities in the sector with the growth and expansion of large supermarkets. The UK retail sector comprises of 10. 5% of all jobs, of which, 40% are under 20 in age. Since most of the large supermarkets in this sector are opened round the clock and pay their workers based on the number of hours, there are a high number of part-time employees in the sector. Moreover, the industry has been responsible for 12% of the total investment made by UK in training. The industry is also one of the largest tax payers by paying 9% of the total UK taxes which is around £17. 5 billion. The retail industry is also responsible for being one of the key drivers of economic growth by generating sales of £303

billion in 2011. The industry is also cheaper than the retail industry in European counterparts. UK consumers have to pay 5% less than what they pay in other European countries. The retail sector also has large online presence and is ranked as the third with 11% of the global retail sales. The non-store U. K. retail sales in 2010 were £30. 3 billion, out of which internet sales stood at £23. 4 billion. U. K. retail industry is also competitive globally with £7. 2 trillion in 2010 .

The major players in the market include Tesco, Sainsbury, Asda, Wm Morrison and Marks and Spencer. Among international retailers, the successful players in the market include Aldi of Germany, Primark of Ireland, IKEA of Sweden and Amazon of United States .

### **Company Profile- Tesco**

Tesco was founded in 1919 and with time it had grown into the largest retail supermarket in U. K. The company has its presence in around 14 countries, employing over 500, 000 people and serving more than tens of millions of customers every week . 60% of the sales and profits come from the UK business. Tesco also has its own label products such as Finest and Everyday Value which have been the two largest food brands in the UK. In 2012, the company had £72 billion group sales and group profit before tax of £3. 8 billion .

Tesco also offers differentiating products and services. One of the successful strategies of Tesco had been its loyalty card for increasing customer satisfaction. Tesco Clubcard was launched in 1995 which helped Tesco in overtaking its rival Sainsbury and thus becoming the market leader . The

loyalty scheme turned out to be so popular that, 14 million individuals from 10 million households was estimated to have a Tesco Clubcard . This services along with its other customer services and reasonable prices of products, has made Tesco one of the world's largest retailers.

## **Current Issue in Retailing**

Despite of the success and growth in the retail market, there are a number of challenges faced by the companies operating in this segment. One of the biggest challenges has been the decrease in consumer spending after the global recession. The retailers cannot increase the prices of products on their own, therefore, they have to look at other ways of generating a profitable contribution margin. Hence, the increase in fuel and energy prices led to increased pressures among retailers due to rising costs. However, by 2012 although the inflation started to decline and retailers expected a sales growth, but it was still above the wage increases causing pressure among consumers to save more and spend less due to the tightening household budget and disposable income . Moreover, online retail was cannibalizing the sales in shops as a result of which in 2011 more than 2, 500 stores were shut down and around 24, 000 employees faced job insecurity in U. K. .

In 2012, Tesco profits fell for the first time in 18 years because of a reduction in sales growth by 11. 6% due to the euro zone crisis . The reason for the fall had been due to Tesco's increased investments which raised its costs while the sales did not grow as expected. The company spent £1 billion investment programme for improving its stores in U. K. The Chief Executive of Tesco mentioned in BBC about the instability in the political and economic

environment which led to an increase in taxes, rise in fuel prices and stagnant real incomes. Moreover, the company also faced issues in the international market like South Korea where the regulations led to a decrease in profits . On the other hand, although the overall retail sector was affected, Sainsbury did well as compared to Tesco with its online retailing as well as smaller convenience stores. The company did its marketing well with its ‘ Brand Match’ pricing promotion, increased market share in general merchandise, and the sponsorship of London Paralympic Games . The current issue in retailing has largely been due to the challenging macro environment which has caused the retailers to tighten up their costs and change their strategies in order to be responsive to the environment.

## **Recommendations**

Considering the different issues highlighted by newspaper articles regarding the situation of the U. K. retail market, it has been concluded that one of the major challenge for the retail sector is to cut down on its costs while at the same time boost the sales by regaining customer confidence which has been shaken due to the prevalent financial crisis. Therefore, following strategic responses have been suggested to Tesco which can help in dealing with the current issues being faced in retailing:

- Firstly, Tesco should change its strategy of expansion towards boosting up sales with the existing capacity it has. Since Tesco had spent increased amounts of money on investments, this led to a decline in profits. Therefore, instead of opening up new stores, it should promote its products through the existing stores it has currently. Other than that, one of the issues in retailing

had been the cannibalization of stores due to online retailing. In order to overcome that and increase both the sales simultaneously, Tesco should work on differentiating with relevance and creating the feel good factor for customers in order to increase their store loyalty as well. Although, Tesco does have a strong loyalty in the past well, however, in order to maintain that it needs to continue coming up with new schemes or discount offers which will increase the demand among the price-sensitive consumers.

- Furthermore, since Tesco targets the mass market and it can use more ATL (Above The Line) promotional media which has a lower cost per contact and a larger reach that can help in increasing its strong presence in the retail market. Moreover, since there is intense competition in the industry with the rivals growing strength in the market, Tesco needs to adopt a customer focused approach where it should use both cost leadership and differentiation strategy such as its unique and spacious retail outlets that have a competitive edge.

- Most importantly, Tesco had also increased the number of staff at its retail outlets which added more to the costs while not growing sales as expected. In order to cut down labor costs, Tesco should focus more on self-service and market its online and physical store service independently to gain market share in both the segments.

Thus, if Tesco is able to cut down its investment costs and use the right strategy at the right time, the issues currently being faced will not likely be repeated in the future.

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