

Tescos swot strengths and weaknesses marketing essay



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One of the strengths of Tesco is that the organisation as a whole is huge. They have a very high performance and make profits of £54, 327 million in the financial year 2008/09. Also Tesco hold 49% of all European sales in the year 2008 this is a slight fall from 52% in 2007 although this is because of the pound weakening against the euro. This is still a considerable amount of the percentage of the sales in the European food retail market, and this percentage is forecast to increase in the coming years. ([http://academic.mintel.com/uk/sinatra/oxygen_academic/my_reports/display/id= 395621&anchor=atom/display/id= 496188](http://academic.mintel.com/uk/sinatra/oxygen_academic/my_reports/display/id=395621&anchor=atom/display/id=496188))

One of the reasons for the huge percentage of sales and in the European market is because Tesco's has been able to enter many different European countries. From 1994 to 2008 Tesco's has opened stores in Hungary, Czech Republic and Poland. They also opened stores in Turkey, Japan, South Korea, Malaysia, Thailand and the US. ([http://academic.mintel.com/uk/sinatra/oxygen_academic/my_reports/display/id= 395621&anchor=atom/display/id= 496188](http://academic.mintel.com/uk/sinatra/oxygen_academic/my_reports/display/id=395621&anchor=atom/display/id=496188))

This wide range of countries in which Tesco's has entered has meant that they have had to change to the cultures of these countries and it has led to them having to develop different store types. These were mainly bought from competitors when they entered the markets. Some of these have been used in the UK market.

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“ From the 1970s onwards, much of Tesco’s developments were focused on superstores, but following its expansion into Central Europe in the 1990s it became aware of the need to trade from hypermarkets as well, in order to effectively compete, and launched the Extra format. The development of the smaller format stores - Metro and Express - came at around the same time.”

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At the moment Tesco’s has diversified with many different types of store.

These are the Tesco Extra which is a hypermarket spanning up to 10, 000m² and sells a wide range of both food and non-food products. ([http://academic.](http://academic.mintel.com/lcproxy.shu.ac.uk/sinatra/oxygen_academic/my_reports/display/id=395621&anchor=atom/display/id=496188)

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Tesco Superstore which is a 2. 700 - 3. 700m² superstore which sells primarily food products but also some non-food products depending on the left over floor space.([http://academic.mintel.com/lcproxy.shu.ac.](http://academic.mintel.com/lcproxy.shu.ac.uk/sinatra/oxygen_academic/my_reports/display/id=395621&anchor=atom/display/id=496188)

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The Tesco Metro is a store built in city centres with a floor space of 1000m²

this store only sells the full food range with emphasis on the convenience
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and lunch food although does sell other foods so that people in the local area can shop for all types of food. (http://academic.mintel.com/lcproxy.shu.ac.uk/sinatra/oxygen_academic/my_reports/display/id=395621&anchor=atom/display/id=496188)

Tesco Express is a convenience store which only has 279m² of floor space and so this is used to sell mainly for top up conveniences this is so it can open all day Sunday which has strict rules which govern whether a shop can open all day on Sundays. (http://academic.mintel.com/lcproxy.shu.ac.uk/sinatra/oxygen_academic/my_reports/display/id=395621&anchor=atom/display/id=496188)

Along with the growth of the company Tesco's has been able to develop a large and loyal customer base; with the launch of the loyalty card scheme they are now able to directly source information about each individual customers purchasing habits and patterns and with 15 million active cards this amount of information is a huge resource which has a direct link and application with customer. This ability to understand there customer's needs and desires is what allows them to keep such a large customer base loyal. (http://www.tescopl.com/plc/about_us/strategy/coreuk/)

The development of online shopping has also been explored with the creation of Tesco's Direct which is an online delivery service which allows a person to choose from any item in the store and provides the customer with current in-store offer as well as some online only offers on specific products which can then be bought and delivered directly to the customers house.

This means that a customer doesn't need to travel to the store they can do the shopping quickly and efficiently from the comfort of their own houses.

Weaknesses

Tesco's UK growth although large is started to slow down and so this could start to affect the business as its competitors like ASDA and Sainsbury's have shown quick and large growth as they growth and expand they could steal customers as they introduce new schemes of initiatives.

Sainsbury's has shown overall real growth growing by 5.7% with online sales increasing by 25%, where as ASDA showing overall growth of 6.2% in the year 2008. This growth might not be as substantial as Tesco's initial growth but it is set to increase and if Tesco's becomes complacent then they could see themselves falling behind to there competitors and find it hard to regain there majority of the market. (http://academic.mintel.com.lcproxy.shu.ac.uk/sinatra/oxygen_academic/my_reports/display/id=395621&anchor=atom/display/id=496182) and (http://academic.mintel.com.lcproxy.shu.ac.uk/sinatra/oxygen_academic/my_reports/display/id=395621&anchor=atom/display/id=496179)

Opportunities

Although this has already been initiated by developing new types of products and services, Tesco could access a completely new type of market. Some of the current services Tesco provide are a mobile phone network, insurance schemes, loans and mortgages.

This isn't a new opportunity as many competitors have also followed this opportunity, with Sainsbury's creating the Sainsbury's bank and ASDA creating an over 50's health care plan. Although all these plans are in their infancy and have the potential to become independent parts of the companies themselves if they develop in the best way.

Tesco are looking to become a zero carbon business. They aim to do this by investing in new green technology companies which they could use to make their stores more environmentally friendly. They plan to invest over £100 million pounds in green technology businesses, which should help boost research and production dramatically. This investment will help Tesco's complete its pledge to be a zero carbon business by the year 2050. This is a great marketing tool as it shows the business making an effort to combat the effects of climate change which is a hot topic at the moment. (<http://www.tescopl.com/plc/media/pr/pr2010/2010-02-03/>)

Threats

The main threat Tesco's faces are that its market share could be too large. This could be in conflict with some business legislation which is aimed at creating a competitive market. The Competition Act 1998 and the Enterprise Act 2002 are used to make sure no business has an unfair advantage in the market. This is to protect both rival businesses and the customers. Also the government under these acts could force Tesco to sell some assets which to their competitors or the government until they have a satisfactory market percentage, also Tesco's could face a 10% fine of their annual turnover. This means they could have to downsize as they will not be able to keep running

with the costs they run at the minute as they will not be making as much profit. (<http://www.out-law.com/page-5811>)