

Strategic planning and implementation of tesco marketing essay

[Business](#), [Strategic Management](#)



This report intends to representation on previous history, present condition and the future pictures of Tesco. It is one of the main grocery shops maintaining and leading the top most brand name in the UK. Products diversities are the key function of the company. Through this report many aspects of Tesco has been highlighted. The report is the part of Strategic Planning and Implementation subject. The vision, mission, ethical context, cultural, environmental and social perspective has been described in this assignment. The business environment, sustainability, competence and stability of Tesco has been analyzed in this report using two different strategic model those are SWOT analysis and five forces of Michel Porters. To define the future strategies of Tesco the necessary researches have been conceded in this report. Some recommendation has been included in the report and at the final part of the assignment deals with the implementation plan carry out the identified strategies and the monitoring & evaluation based on the recommendation

COMPANY BACKGROUND

Tesco is one of the largest food retailers of the world. Tesco was founded in 1929 at Edgware road in North London. The founder Mr. Jack Cohen was a grocery business. He bought a large amount of tea from the supplier Mr. T. E. Stockwell. From that time they joined together in the business market. Then Tesco got its brand name from the combination of the founders. Before the second world war the customers was served by the grocery stores but self service stores were on their way and once introduce, allowed stores to grow bigger to become the superstores we know today. In 1947 the company first time floated on the stock exchange with an initial share price of 25p. All over

the UK, Tesco become the familiar name. Tesco follow the systems which allowed suppliers for insisting the retailers selling their products for a set price. Using the stamps Tesco maintaining the strategies to ensure customers loyalty which is exchangeable for cash or goods. Tesco emphasis on the customer's satisfaction and building customer's loyalty through their service. The new services strategies, continuing the proper growth and develop new initiatives by Tesco influences all the customers. All over the UK there are 2318 stores and over 326000 employees working at Tesco. They are operating their good services and soon more stores are on the way to be opened. UK is the largest market place of Tesco business. It is operating under four banners of Tesco Extra, Tesco Superstore, Tesco Metro and Tesco Express. The company sells over 40, 000 grocery products including clothing and other non-food items. Tesco sale their own brand products at three levels those are value, normal and finest. In Tesco many stores have gas stations which are the largest independent petrol retailers in UK.

Vision, Mission Statement, Ethical, Cultural, Environmental perspective of Tesco Company.

Vision:

A vision is the desired future state of the organization. It is an aspiration around which a strategist, perhaps a chief executive, might seek to focus the attention and energies of members of the organization (Johnson & schools, 2002), The vision of Tesco is to generate significance for the customers to receive their existence loyalty. The approach of work in Tesco is the value

and code of conduct. The values of Tesco are summed up in two phases- no-one tries harder for customers' and treat people how we like to be treated.

Mission:

A mission statement identifies the scope of a company's operation in product and market terms. It describes the values and priorities of the organization. (David, 1997). Mission statement is the key factor in any business that assists to place the target where the organization desires to accomplish within a target period of time. The missions of Tesco are to creating value for customers and earn their loyalty. Tesco's mission is to develop more opportunities for their customers contributing them loyalty card and persuade them to buy the double even in the economic recession. Tesco takes pride in enormous productivity and continuous improvement of their products. The meaning of this mission statement is to create most of the new opportunities which arises and to continually and frequently innovates and improves their products and services and acquiring new markets.

Ethical:

Tesco has been practicing ethical processes from the beginning. Ethical behavior is described as that which is ethically right and admirable. Tesco is conducting the business in the manner which is legal and ethical to continue their reputation and success. All employees contribute for Tesco's status. It is important that all staff remain to ethical guidelines. Tesco business both national and international is conducted in fulfillment with all appropriate laws and regulation. Sincerity and veracity must be followed by the workers for Tesco's status and credibility in all business relationship. Tesco never accept

any gift, entertainment or any other advantage from an person or organization who are doing business with Tesco. For every employee Tesco approved the training on health and safety. Buyers of Tesco received more than 2400 hours of training on ethical trading. Tesco believes treating the people with honor and respect, concern about their well being. The other contributions of Tesco are sustaining local economics, promoting dynamic life style, trader relations, UK regulations practice and monitoring animal welfare.

Cultural:

Tesco has an open culture within the organization. The employee of the company who delivers the best effort of the organization and shapes its culture and innovates in all aspects of the business. Tesco always encourage its employees their personal appearance in communication and optimistic thinking. The employees of the company always have the access to get the information about job opportunities, contact any much other information. Employees are notified about any change or correction and any progress in the business.

ENVIRONMENTAL ANALYSIS OF TESCO:

Strategic planning effects the organization in different ways. To review environment of any organization we need to understanding of connection with various problems and issue with one another and the effect of that particular areas. To illustrate Tesco's external environment PESTEL analysis is constructive. It includes the aspects those are political (taxason policy, foreign trade regulation, government stability), economical (unemployment,

disposable income), social (life style change, level of education), technological (government spending on research, speed of technology transfer), environmental (company's responsibility to society) and legislative (code of practice, access to raw materials) factors.

PESTEL Analysis of Tesco

Political:

Nowadays Tesco is operating their globalized business chain in six countries around the world. UK is the largest business point for Tesco. Its operates in Ireland, Czech Republic, Turkey, Slovakia, and Poland in Europe, Tesco also running their business in different Asian countries as in Malaysia, Thailand, South Korea, Thailand and Taiwan as well. As an external factor Political condition can affect and influence Tesco's performance. in favor of service legislations, the administration encourages retailers to make available a mix of occupation opportunities from elastic, lower-paid and locally-based career to highly capable, high remunerated and centrally positioned jobs (Balchin, 1994), In order to meet the demand of different categories like students, senior citizens and working parents. The changes of government rules and regulation can effect the business of Tesco such as introduce new tax policies on leisure could create a direct impact on Tesco's business.

Economical:

Another environmental factor is economic, which can make a enormous effect in the business of Tesco. Presently UK is in front of a great economic down turn. With the present condition financial, employment,, mortgage sectors are deficiently effected . Earnings of people have decreased and the

inflation rose up. In this situation people don't spend money for their residence and can't do proper savings. Due to current market situation Tesco may be affected in their business. Because Tesco are likely to control demand, expenditure, prices and earnings. The high unemployment levels decrease the demand for many goods, and affecting the production of such kind of products. The financial factors are basically external have the power over of the business, but the effects on presentation and the marketing mix can be reflective. The international business market is still growing. Tesco is expecting it will add greater amounts to its business. Tesco is highly depended on UK market. So it would be badly exaggerated if some delay in the UK groceries market with bare to market concentration risks.

Social:

Social environmental factor has a great emphasis on business environment especially with the present economic down turn. Customers have moved towards changes.. Tesco have enlarged the quantity of non-food objects available for the customers. UK retailers are focusing on extra value foodstuffs and services because of the changes in increasing female employees, elderly people and refuse in home meal preparation.

Nationalized retailers are gradually reserved to get on new suppliers (Clarke, Bension and Guy, 1994; Datamonitor Report, 2003). Type of products and services demand by the customers regarding their social circumstances and their subsequent attitudes and values. Customers are becoming much more aware about health and safety issue and the attitudes towards food are always changing. Tesco introducing its products mix to enlarge require for

natural products. The business was also the first to permit customers to disburse in cheques and cash at the depart

Technological:

Tesco is one of the most popular and fast growing retailers in UK market. Technology is a irregular macro-environmental that has affected the improvement of Tesco products. The customer and the company is being benefited as the technology provided new era in service. Technology helps a lot to rises the customers' satisfaction. Technologies help the company to make the products more available to the customers to fulfill their demand and thus the services can be more personalized and more convenient. In all Tesco outlets using the wireless devices, intelligent scanner, electronic shelf labeling, Radio Frequency Identification, Close Circuit Camera (CCTV), Money paying machine etc. The electronic point of sale and electronic scanner have significantly enhanced the effectiveness of delivery and stocking actions, with requirements being communicated almost in authentic time to the supplier.

Environmental:

Environment is another factor which effect both market and company. The main societal issue threatening food retailers has been environmental issues. Tesco's corporate social responsibility is concerned with the ways in which an organization exceeds the minimum obligations to stakeholders specified through regulation and corporate governance (Johnson and Scholes, 2003) The most recent legislation twisted a new tax on promotion extremely processes and oily foods. It directly exaggerated the Tesco product ranges

that have consequently been personalized, distressing liaison with both suppliers and consumers.

Legislative:

Tesco face the direct impact on their performance by different government legislation and policies. For an example, the food retailing commission (FRC) advised an enforceable Code of practice should be set up banning many of the current practices like demanding payments from suppliers and changing agreed prices retrospectively or without notice (Intel Report, 2004). In order to implement politically correct pricing policies, On fuel purchases Tesco offers customers cost decline based on the quantity used up on groceries at its stores.

Industry Analysis and Competitors Analysis of Tesco:

Porter's five forces:

To analyze how the business atmosphere is changing the way of Tesco, the five forces model of Michael Porter's has been used here. The competitive five forces have prepared by identifying five original competitive forces which are prospective entrance, threats of substitutes, bargaining power of buyers, bargaining power of suppliers and competition between existing companies.

Source: Michel E. Porter Competitive strategy: Techniques for Analyzing Industries and Competitors, The free press 1980

Threat of new entrance

The grocery market of UK is dominated by some competitors including four major brands -Tesco, Asda, Sainsbury's and Safeway. It possesses a market share of 70% and small chain of Somerfield, waitrose and Budgens with a supplementary 10%. More than the last 30 years, according to (Ritz, 2005), the grocery market has been changed to a supermarket dominated business. The main chains have built their control to operating capability. The dominant force had a enormous impact on the small traditional shops. Now it possesses a strong barrier for the new company who wants to enter to the grocery market. It is very difficult for the new company to entrance and provide sufficient capital for big fix costs and extremely developed supply chain as there bare already business giants are there in the market.

Bargaining Power of Suppliers

Major grocery chain influences the suppliers' power and the threat for doing the business to the large supermarket chain. This consolidates further leading positions of stores like Tesco and ASDA in negotiating better promotional prices from suppliers that small individual chains are unable to match (Ritz, 2005). The major business giants are also a threatened for the new entrance business society if they bring the products from broad in cheaper rates side and don't take from the local suppliers. The forces of competitive rivalry have reduced the profit margins for supermarket chains and suppliers.

Bargaining Power of Customers

The more products that become standardized or undifferentiated, the lower the switching cost and hence, more power is yielded to buyers, (Porter M. 1980). The profitability of Tesco business significantly increased by its famous loyalty card. The Club card remains the most successful customer retention strategy of Tesco Company. To satisfied the customers, service customizing, make sure the low price, good sense in choosing and continuous flow of in store promotion enables brand like Tesco for controlling and preserve their consumer's foundation. The customers are aware about the products and its influences that they expect from third world producers.

Threat of Substitutes

General substitute is able to reduce demand for a particular product, as there is a threat of consumers switching to the alternative (Porter M, 1980). In the grocery market it may be seen that in the form of product-for-product or the necessary substitute is further weakened by new trends. In this case, Tesco, Sainsbury's and Asda are struggling to gain offered small scale operations and opening Metro and Express stores in local towns and city centres (Ritz, 2005)

Bargaining Power of Competitors

The grocer business environment has grown in significant way in shape and dominated by the larger chain opening big store, developing concentrate of retailer and proper utilization of the formats. It is said previously that the purchasing power of the food industries concentrated to the small number of retail buyers. Customers are rapidly demanding and sophisticated, large

chains as Tesco are accruing large amounts of consumer information that can be used to communicate with the consumer (Ritz, 2005).

SWOT Analysis of Tesco

Strengths

The main strength of Tesco is its strong brand name and its valued customer service. The company is far less integrated than the other big company that which makes them more flexible compared to others. It has a large business structure. Tesco operates its business not only in UK but in many countries in Europe and Asia as well. In total retail market of UK Tesco holds 13% share and 26% growth in international market. Tesco believe in direct marketing rather than via a middleman or agent. Tesco's vision is to earn customer's loyalty and so they want to pass the benefit directly to the customers. The strength which is the power of Tesco enforcing to continue the largest business are Tesco's general growth, increasing market share, insurance (Club card), Tesco online service (which operates 270 stores around the country), brand value and UK market leadership reinforced. Therefore; Tesco is an extremely strong place in its domestic market. Tesco was the winning retailers of the year 2008 at the " world Retail Award".

Weaknesses

The profit levels of Tesco finance were affected through bad debt, household insurance and credit card arrears. As a price leader in UK market Tesco's position can lead to reduced profit margins in order to retain the key price points on must have commercial items. Grocer outlets are not setup to

operate as specialist retailers in specific areas of product which can be capitalized on by other smaller bespoke retailers.

Opportunities

According to the statistics, Tesco is the third largest global grocer which indicates a level of buying power to ensure mainstream economies of scale. Opportunities exist for Tesco in new market develop in Asia, Having many value added services and premium brand name is an opportunity for expansion. It would be a great opportunity to capture Asian market. The development of Tesco Direct through online and catalogue shopping will grow the use of technology. In 2008 Tesco mobile have grown ¼ million customers and it moved profitable status suggesting further growth and development within this technological area can be developed

Threats

Global economic decline is the barrier and created an impact on Tesco business. Some environmental factors such as climate changes, political issue, and taxes issue can become a threat for Tesco. Raising the costs of raw resources from both food and non food will crash general profit boundaries. Exporting restriction on some non food products to Far East location will decrease profit margin. Customer's mentality which is frequently changing and it may be a threat as well. For Tesco there is a determined threat of capture from the market leader Wal-Mart who has equally means and motive to follow such accomplishment.

Portfolio Analysis of Tesco

STAR

PROBLEM CHILD

Non-food items

Tesco mobile

Bakery

Bank

Vegetables Credit cards

Wine

CASH COW

DOG

Flowers

Insurance

Health & Beauty

Opticians

Pharmacy

Games and CD's

Clothing

Electrical items

Lot of Tesco goods can be measured as a star as they are market leaders and produce large quantity of revenue and have high share of market. Also Tesco put a lot of attempt to increase the awareness of their consumers. According to the above BCG Matrix, Tesco has cash cow products. It distributes excellence and extra services to customers and having new inventive products and services. Tesco have high productivity and low investment. Tesco generates revenues more than investment. Tesco will have cash cows as a part of the portfolio till they ultimately become dogs and stop generating revenues. Dog products of Tesco are having poor rivalry

and criticize them to poor income. The expansion is low. Tesco should minimize the plan of dog products. Problem child gives low share and high growth market products. Cash requirement is high and cash generation is low. Tesco has introduced the credit cards, insurance and mobile which need lot of money and growing slowly and cash generation is low.

Competitor Analysis of Tesco

The main competitor of Tesco is ASDA. There is a extreme competition between this two business giants as well as with the others like Sainsbury's. ASDA is operating by the world largest grocery chain Wal-Mart of America. Both Tesco and ASDA is known as low priced products. That's why people wants to shopping from Tesco or ASDA stores and fulfill their every day needs. They both are running their business in UK with their cost leadership strategy. It means that the company is the low cost producer of a particular product. This strategy is implemented for two reasons. One is to sale at average price and the company will be more profitable comparing others. The second reason is to sale below of the industry price so that the company gains the market share. When Tesco implemented the cost leadership strategy, they were able to provide that the theory is correct. In 2005, The Grocer published that Tesco was able to increase their market share from 26.8 percent to 29.1 percent (cited 2005). Tesco is operating their business in UK for a long time that ASDA. It means that they have an established market base before the entrance of ASDA. The importance of competition analysis and strategic marketing planning has been illustrated in the case of Tesco versus ASDA. The former was able to gain competitive advantage by copying

the strategy of the competition. A brief comparison among the major grocery business company has given below:

Supermarket

Consumer Spend (£000s)

Market Share November 2008

+/-from/ December 2007 -2008

TESCO

6351, 531

30. 9%

â-24. 3%

ASDA

3410, 431

16. 8%

â-27. 8%

SAINSBURYS

3175, 543

16%

â-26. 1%

MORRISONS

2233, 137

11. 8%

â-210. 3%

Internal Analysis of Tesco:

Internal analysis is the structure to categorize the significant achievement factors of the corporation surrounded by the food transaction section. Here are some internal factors of Tesco has been analyzed.

Branding and Reputation:

Tesco is the well known brand all over the world which is serving the large number of customers. In the grocery market. Tesco is a business giant in the UK market. The company serving through its good quality to earn the customer's loyalty. Tesco focused to customer's service being more efficient delivery with the wide range of products.

IT Integration:

For the continuous progress and improvement of the product and services IT integration has a great impact. Tesco is using the IT in every sector to enhance its quality, service, delivery systems, calculating the stock and the business transaction. IT has given Tesco the power to run the wheel of the business. The IT systems connect Tesco with its partners online and its bring the distribution channels more flexible, extensible through integration.

Extranet is being used by Tesco to integrate, create and customization of

Information flows. It also helps to improve the relation between Tesco and its business partners.

Suppliers Management:

Many other company sources its materials from other countries because of their competitive price compared to local suppliers. Tesco is not out of them. Tesco already changed its point of view to outsourcing from abroad and build a relationship with its out side suppliers. Because of the preparing process of Tesco's food is very successfully dealing for the customer's satisfaction. Tesco works so many suppliers out side of UK for the diversification of their varieties products. Tesco employed their workers for different cultures and backgrounds. To make a exceptional relational relationship with the suppliers Tesco works with different ethics group. Using the advanced and modern technology Tesco have power over the works of suppliers and profoundly relies on their competence.

Strategic Options/ Growth Strategies of Tesco Business:

Tesco is a success story- it was the first UK business to make £2 billion in profits when it announced the feat early in 2005. Despite this, the share price fell when its results were announced. " We have continued to make strong progress with all four parts of our strategy.-a strong UK core business, non-food, retailing services and international- by keeping our focus on trying to improve what we do for customers.

Making their shopping trip as easy as possible

Constantly seeking to reduce our prices to help them spend less

Offering the convenience of either large or small stores

Bringing simplicity and value to complicated markets

(Tesco preliminary result 2004/5)

Every retailer who are the giant in business should follow either one or three generic strategies of Porter to obtain sustainable competitive advantage. The first one is cost leadership which Tesco can strive to have the lowest cost and services offering its products at the lowest cost. The last approach of center can be also a cost management or segregation policy that is to a narrow focused marketplace. Tesco might also decide to imprison their creation to precise market areas or may prefer to present a smaller row of goods to the large market, therefore pursuing a plan of focus or position.

TESCO PLC PRELIMINARY RESULTS 2009/10

STRONG RESULTS, STRONG GROWTH TO COME

20 April 2010 52 weeks ended 27 February 2010

2009/10

Growth vs 2008/9

vs 52 weeks

vs 53 weeks

Group sales (inc. VAT)*

£62, 537m

6. 8%

5. 2%

Group revenue (ex. VAT)

£56, 910m

7. 1%

5. 6%

Group trading profit

£3, 412m

12. 3%

10. 6%

Underlying profit before tax

£3, 395m

10. 1%

8. 7%

Group profit before tax

£3, 176m

10. 4%

8. 9%

Underlying diluted earnings per share

31. 66p

9. 1%**

7. 7%**

Diluted earnings per share

29. 19p

9. 8%

8. 3%

Dividend per share

13. 05p

9. 1%

9. 1%

(Source: [tescocorporate. com/plc/media/](https://tescocorporate.com/plc/media/))

Corporate & Business Strategies and Implementation

The framework of strategy and the tools of structuring are key to assess the business condition. open plans for act, including effective scheduling require to be developed by Tesco as the strategic choice. Tesco's employment based on two strategic options those are primary market objectives on market development and diversification through new product development. Market

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development strategy is entering new market to serve as a key growth driver of the company's revenues and expansion strategy. As the Asian market showing the trend to spending and increasing towards retailing, Tesco is very much interested to spread their business in Japan. There are three main success criteria to be success of the partnership-sustainability, acceptability

and feasibility. Sustainability is the rationale of the expansion market development strategy. The acceptability relates to the predictable return from the plan, level of threat and the possible feedback of the stakeholders. Feasibility will be considered to whether Tesco has the capital and capability to carry the strategy. Ansoff's matrix also suggested that if new products are developed for existing market, then a product development strategy has to be considered by the management level. In growing and diversifying Tesco's product mix, it is also vital to realize domestic development when new products are developed. By following the change needs of the customers, Tesco can launch new product lines. This may need more interest to R&D, foremost to supplementary expenditure.

Recommendation:

The accomplishment of Tesco shows how far the branding and valuable service deliver be able to come in affecting further than splashing one's logo on a billboard. It had fostered influential identities by building their retailing thought into a bug and spending it out into the society via a diversity of channels, culture funding, political argument, consumer knowledge and brand expansion. In a rapidly shifting industry atmosphere with a elevated

competitors' anxiety Tesco contain to assume new extension strategies or diversified the existing in order to continue its foremost marketplace situation in an already recognized trade market. The company must continuously get used to the fast changing situation. Strategy formulation must therefore be regarded as a procedure of constant learning, which includes knowledge about the goals, the consequence of potential procedures towards these goals and how to execute and accomplish these actions. The superiority of a formulated strategy and the velocity of its accomplishment will therefore directly depend on the excellence of Tesco's cognitive and behavioural learning processes.

In a large group like Tesco strategy must be analyzed and implemented at different levels within the hierarchy. These diverse levels of approach should be interrelated and equally supporting. Tesco's strategy at a business level defines the businesses in which Tesco will struggle, in a way that focuses property to exchange characteristic capability into competitive advantage.

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