

# An analysis of business and financial performance of tesco finance essay



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## **INTRODUCTION**

### **1. 1Topic Chosen**

This research and analysis report is about 'The business and financial performance of Tesco plc' over a three year period from an investor's point of view. The analysis will be carried out by looking at the key ratios, past trend and other important aspects with an aim to serve the current and prospective future investors in making investment decision. Quantitative analysis which is based on financial aspects cannot give always the true picture so this analysis is also look at the non financial measures.

J Sainsbury, one of the close competitor in UK has been chosen to compare with the Tesco plc to make the analysis more meaningful.

### **Reason for the topic chosen**

As I am interested in analysing Business and financial performance in my previous studies so I have chosen this topic 8. This report will give me an opportunity to enhance my knowledge and chance to test my analytical skill.

The reason for choosing Tesco for this research and analysis project is because I am always interested in retail sector and one of the most successful company in retail sector is Tesco in UK . Tesco currently hold more than 30% market share in UK with leading in supermarket (Douglas Hamilton, www. heraldscotland. com 15th Sep. 2010). Tesco is one of the fastest growing successful supermarket despite of many rivalry in same sector. Due to the fact of closest competitor J Sainsbury which is the third

largest supermarket with market share around 16%, is chosen to compare the Business and Financial performance of Tesco.

Tesco which used to be a food retail market is now expanding its territory of business from food retailer to various products under one roof such as furniture, electronic, mobile, financial services etc. The another expansion of Tesco will be the Tesco Bank (<http://www.ft.com/cms/s/0/40d7a0dc-c5af-11df-ab48-00144feab49a.html>). Sir Terry Lee Promise to build the 'people's bank' by capitalising on public disillusionment with traditional lender (<http://www.ft.com/cms/s/0/40d7a0dc-c5af-11df-ab48-00144feab49a.html>). Another reason that attract me toward Tesco which used to be the UK's supermarket once is now expanding around more than 13 countries around the world (UK, USA, China, India, South Korea, Japan, Including other Asian countries and some European countries). Tesco is opening its store making suitable to where it open just like its open in Indian as cash and carry in joint venture with Tata group the Indian largest business group ([http://www.tescopl.com/plc/ir/rns/rnsitem?id=1218521062nRnsL1207B&t=popup\\_rns](http://www.tescopl.com/plc/ir/rns/rnsitem?id=1218521062nRnsL1207B&t=popup_rns) August 12, 2008). As we know USA is one of the challenging market for UK's supermarket Tesco admitted that they go wrong on early market research and they may makes big changes in stores (The Sunday Times, February 22, 2009). As Tesco sets its three challenging long term targets towards community: to become a zero-carbon business by 2050; to reduce the carbon impact of the products in supply chain by 30% by 2010; and to help the customers halve their own carbon footprint by 2020; in which they are making good progress. Tesco opens the world's first zero-carbon supermarket in Ramsey, Cambridgeshire in 2010 (<http://www.tescopl.com>. <https://assignbuster.com/an-analysis-of-business-and-financial-performance-of-tesco-finance-essay/>

com/plc/about\_us/tesco\_story/). Tesco is growing consistently outside UK as well. Tesco chairman David Reid told in annual report 2010 about its growth in South Korea and china " Our acquisition in South Korea is performing well and delivering excellent results, we've opened our first three Tesco Lifespace shopping malls in China and we have made good progress building the infrastructure and developing new products for Tesco Bank." This gives us idea that how Tesco is going to tackle in abroad.

Tesco is one of the successful and adaptable business with different products in any area around the world. The diversity and complexity of the business attract me to analysis the business and financial position of Tesco.

### **1.3 Aims & Objectives**

The aim of the report is to research and analysis the business and financial position of Tesco from the investor point of view. As we know investors are risks adverse so investors want to know risks and return of the investment to make decision. For this investors are always want to know not only the financial data but also the company's strategic plans, market in which they operate and the trend in the outside world.

Therefore I've made the comparison between same industry businesses which give reasonable recommendation the best investment decision.

Therefore the report objectives are:

To analyses past and current position of Tesco

To compares 3 years performance with J Sainsbury

To analyses the reason for diversified market

To analyses the long term financial sustaintibility of both companies.

To analyses the short term liquidity stability of both companies

To analyses the market shares of both companies.

To analyses the strategic plan and the factors which benefits and detriment the companies from external and internal using SWOT analysis.

## **RATIO ANALYSIS**

The following financial key ratios analysis has been performed during the research project: which formulae are in the appendix:

Growth Analysis:

Sales revenue growth

Profitability:

Gross profit margin

Net profit margin

Asset activity ratio

Return on capital employed

Stability ratio

Gearing ratio

Interest cover ratio

Liquidity ratio:

Current ratio

Quick ratio

Investors Ratio:

Earning /share

Dividend /share

Price / Earnings Ratio

Efficiency Measures:

Net asset turnover

Return on total assets

The some non-financial analysis of Tesco is also performed. Such as:

SWOT analysis

Strategic analysis

## **2. INFORMATION GATHERING**

### **2.1 Sources Used and Reason**

Annual accounts of Tesco and Sainsbury: Financial statements is the main source that help me to calculate financial ratios and analysis the trend of

past three years which help to find out the financial conditions, changes and improvements over the three years from 2007-2010. For comparison annual accounts of both companies' data are used from their website.

Annual report of Tesco and Sainsbury: Annual report of both companies is the source of financial statement which enables to calculate different financial ratios and analysis the trend of past three years for the period 2007-2010 which help us to understand the financial conditions trends, improvements and changes over periods. For comparison annual report of both companies' are used which are available from their website.

Newspaper and Journal: Newspaper and Journal are significant sources which provide information regarding share price, market conditions, competitors' activities, market surveys etc. The article provides shareholders the most recent analytical and other information so makes them easy to make investment decision. Financial newspapers just like Financial Times, The Sunday Times, Guardian, City AM, Metro, Evening Standard are helpful for the research.

Text Book: The ACCA's text books F7 (Financial Reporting), F9 (Financial Management), P2 (Corporate Reporting), P3 (Business Analysis) and other business analysed text books are used to gather source of information which help to give ideas about ratio calculations and analyse the business performance using different method such as SWOT, strategic analysis. They also give theoretical knowledge to do financial and non-financial interpretation of the company.

Interim Report: The interim report provides the current news and seasonality information on business performance of the company. The reports are reviewed by the external auditor as the requirement of London Stock Exchange because they are unaudited report. They are easily available on company's website for download.

ACCA Student account magazine: The monthly published Student Accountant by the ACCA which help us in understanding the knowledge, research and analysed the report through different articles published specially on Technical Section.

Oxford Brookes University's research and analysis project guidelines: The Oxford Brookes link on ACCA website is very useful through the research project which gives guidelines about writing report such as format, content, and many others.

Store visit: During the research, store visit gives me ideas about the current and future plans of both companies to meet their objectives such as price cut by introducing buy one get one free or half price scheme.

## **2. 2 Methods used to collect information**

Library visit: The library research involves collecting data through secondary resources such as newspapers, books, press reports etc. I also visited the City Business Library for collecting financial data of both companies over past three years. City Business Library provides online resource collection centre such as Financial Analysis Made Easy (FAME) which contain the information about listed companies in UK and Ireland. I used FAME to get the detail information over three years of Tesco Plc and J Sainsbury Plc. That

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provides information about annual account, key ratios, market share and trends over past years.

Website research: The officially release data such as financial statement, recent business strategy, press releases and interim results of both companies were directly obtained through the companies' websites i. e. [www. tescocorporate. com](http://www.tescocorporate.com) and [www. j-sainsbury. co. uk](http://www.j-sainsbury.co.uk) . For the independent data and information the following websites were helpful which provides relevant latest news and information about both companies. The websites are:

[www. bbc. co. uk](http://www.bbc.co.uk)

[www. londonstockexchange. com](http://www.londonstockexchange.com)

[www. ft. com](http://www.ft.com)

[www. guardian. co. uk](http://www.guardian.co.uk)

[www. telegraph. co. uk](http://www.telegraph.co.uk)

[www. heraldscotland. com](http://www.heraldscotland.com)

[www. timesonline. co. uk](http://www.timesonline.co.uk)

[www. google. co. uk](http://www.google.co.uk)

### **2. 3 Limitation to information:**

The ratio calculated is based on past data so do not give clear view about company future performance.

The ratio calculation is based on companies' annual account. Company prepares its account to show they are in good position (may use creative accounting), to attract more investors. So it may not be the best way to make investment decision.

The secondary source of data does not provide the sufficient information about the company as a whole which just help for surface performance analysis.

### **3. ANALYSIS AND PRESENTATION**

#### **Overview**

Tesco plc was established with the name Tesco by Jack Cohen in 1919 which became floating company in 1947 with share price of 25p. But now Tesco is one of the largest supermarkets based on national and international market.

Tesco has a well-established and consistent strategy for growth, which has allowed it to strengthen its core UK business and drive expansion into new markets. The rationale for the strategy is to broaden the scope of the business to enable it to deliver strong sustainable long-term growth by following the customer into large expanding markets at home – such as financial services, non-food and telecoms – and new markets abroad, initially in Central Europe and USA , and now also in the Asian countries such as India, China ([www. tesco. co. uk](http://www.tesco.co.uk)).

J. Sainsbury is a leading UK based food retailer with interest in financial services. The group is listed on London stock exchange and it's headquartered in Holborn, London. It has been the market leader for much of

20th century in UK and in 1995 Tesco took its place and in 2003 it was pushed to third place by Asda.

We now analysis the performance of Tesco comparing with Sainsbury below:

### **3. 1 GROWTH ANALYSIS**

#### **3. 1. 1 SALES REVENUE GROWTH**

##### **Tesco**

Tesco's revenue have been increasing 4. 54% compare with year 2009 (£54, 327m) to year 2010 (£56, 910m). But in 2009 (£54, 326), the growth is 12% as compared to 2008 (£47, 298). This is due to the develop market in previous year in early 2007 help the Tesco to generate more revenue in 2009 and 2010. In 2010, the world suffers from the recession due to that the growth is not so much. The sales in international market are up by 8. 8% to £19. 4 billion (2010) as compared to 17. 69 billion (2009). The sale in core UK is up by 4. 2% in 2010. (<http://ar2010.tescopl.com/~media/Files/T/Tesco-Annual-Report-2009/Attachments/pdf/Full-Review.pdf>). The increase in revenue was due to the increase in sales of healthy foods products and non-food products which grows almost twice as fast as the rest of the business. Tesco one of the largest online seller supermarket in the world generates £136millions profit from online sales (<http://www.nma.co.uk/news/tesco-reports-%C2%A3136m-profit-from-online-sales/3012439.article> ).

##### **Sainsbury**

Sainsbury's revenue have also been in increasing trend with £19, 964 m during 2010, an increase of 4% over 2009 (£18, 911) and increase of 11% <https://assignbuster.com/an-analysis-of-business-and-financial-performance-of-tesco-finance-essay/>

over 2008 (£17, 837) which is overall less than Tesco's revenue growth. This is due to tough competition between competitors like Tesco, ASDA, and Morrison and the global recession.

### **3. 1. 2 PROFITABILITY MEASURES**

#### **(i) Gross profit margin**

##### **Tesco**

The gross profit margin has been increasing gradually over three years from 2008-2010 from 7. 67% to 8. 1%. The gross profit in 2008 is £3, 630m which increase in 2009 to £4, 218m with (7. 76%-7. 67%) only 0. 09% growths than previous year and in 2010 further increase to £4, 607m which is (8. 1%-7. 76%) is 0. 34% increase than previous year. The increase was due to the high sales, good productivity and good control in the cost of sales expenses.

##### **Sainsbury**

The gross profit margin of Sainsbury has been decreased from 5. 62% in 2008 to 5. 48% in 2009 even there was little increase in sales due to high cost of sales expenses. In year 2010 the gross profit margin further decrease to 5. 42% was due to there is no control over cost of sales expenses. Even the sales revenue seems little bit more they may be due to price inflation but not the increase in sales.

The gross profit margin of both companies is mostly affected by global economic recession but Tesco is doing quite well. Sainsbury find itself in difficult probably due to high competition with other high street supermarket like Asda, Morrison, and Somerfield.

## **(ii) Net Profit Margin**

### **Tesco**

For the three years period Tesco is doing very good net profit margin is as compared to that of Sainsbury but there is decrease of profit from 2008 to 2010. There is high decrease in profit margin in 2009 mainly due to administration expenses and absorption of initial operating loss in Tesco direct and also due to the unseasonal weather in summer. There is also some impact of establishing of US store. But later in 2010 its going through little increase in profit margin which shows Tesco is in recovery stage.

### **Sainsbury**

The net profit margin of Sainsbury has decreased little bit to 2.46% in 2009 as compared to the 2008. But in the 2010 the net profit margin has been very good with the increase of (3.67%-2.46%) 1.21% which was mainly due to the increased finance income from the bank deposit and return from pension scheme and good control over expenses.

## **3. 1. 3 Assets activity ratio**

### **(i) Return on capital employed (ROCE)**

#### **Tesco**

Tesco's return on capital employed (ROCE) has better than Sainsbury over three years. But while looking at Tesco only there is huge decreased of ROCE over three years from 14.08% in 2008 to 10.58% in 2010. That is due to the investment in new stores and new market development in order to gain. In 2009 to 2010 the ROCE is slightly increased which seems Tesco will again increased its performance.

## **Sainsbury**

Sainsbury's ROCE has been increased in the three years period time from 6.03% in 2008 to 9.09% in 2010. The increased was mainly due to effective cost control and also due to the increase net profit margin.

### **3. 1. 4. Stability Ratios**

#### **(i) Gearing Ratio**

Gearing ratio measures the stability of the company for the long term. In simple, its the measure of long term debt as a percentage of equity. The company is more risky as the gearing increases because highly geared company have to pay the high interest on loans and also they don't have the ability to borrow more for any investment opportunity.

## **Tesco**

Tesco's gearing ratio was 149.14% in 2009 which is much more than 2008 which is only 87.06% which was due to the increased in borrowing for investment in international stores. But in 2010 Tesco has repaid its some of its debt so there is decrease in gearing.

## **Sainsbury**

Sainsbury's gearing ratio was also increased to 66.09% in 2009 from 44.54% in 2008 due to increased in debt and also decreased in shareholder fund. But in 2010 Sainsbury's gearing slightly decrease to 63.81% because of repayment of its some debts and constant growth in shareholder fund.

## **(ii) Interest Cover Ratio (ICR)**

The interest cover ratio calculates the number of times the profit before interest and tax can cover the interest (finance) costs. The company with higher interest cover is better, because there is lower financial risk.

### **Tesco**

The interest cover ratio of Tesco is better than Sainsbury but while looking at its own previous year Tesco interest cover ratio is decreasing from 12.21 times in 2008 to 6.49 times in 2010. This is due to high borrowing for investment plan and low profit increase. Tesco is still in better position to cover its finance cost and will be in best position when the today's investment starts to generate profit.

### **Sainsbury**

Sainsbury is doing well in interest cover even there was little decrease in 2009 to 4.15 time from 4.63 in 2008 because there is decrease in profit. But in 2010 Sainsbury interest cover ratio increased 1.80 times than 2009 to 5.95 times because of increased in profit and also decrease in borrowing interest.

## **3. 1. 5 Liquidity Ratios**

### **(i) Current Ratio**

The current ratio gives an indication of company ability to meet its short term obligation with its working capital and continue trading. The higher the current ratio, the better the company position because there is sufficient liquid to cope with short term financial obligation. The standard current ratio should be 2: 1. This rule does not fit for supermarket because as the

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supermarket do not want to hold high stock to avoid wastage and holding cost. Secondly there are negligible trade debtor but high trade creditors to whom they delay payment.

## **Tesco**

Tesco's current ratio has been increasing from 0.61 times in 2008 to 0.78 times in 2009 because of increase in stock level. But the current ratio in 2010 is decrease as compared to 2009 to 0.73 times because of increase in trade creditors, short term loans, overdraft etc. The current ratio of Tesco is far below the standard rate of 2:1 because supermarket like Tesco does not want to hold more stock and nil debtors.

## **Sainsbury**

Sainsbury current ratio was decrease in 2009 to 0.54 times from 0.66 times in 2008 because of low stock level and increase in short term loans. But Sainsbury again return to 0.66 times current ratio in 2010 because of increase in stock level and repayment of short term loans.

## **(ii) Quick Ratio**

Quick ratio is also called acid ratio because it eliminate the stocks from the current asset and calculate the company's ability to pay off short term liability with its liquid assets. Ideally the standard ratio should be 1:1.

## **Tesco**

Tesco's quick ratio is increase in 2009 to 0.63 times from 0.38 times in 2008. And again fall to 0.56 times in 2010. This is much lower than average. This shows that Tesco can't able to cover its current liability with its current



asset without stocks. But the nature of current asset and current liabilities in Tesco's does not seem to have any liquidity problems.

## **Sainsbury**

Sainsbury's quick ratio is almost same over three years with slightly decrease in 2009 to 0.3 times from 0.4 times in 2008. But in 2010 again return to 0.4 times which is much lower than average rate. The consistency of ratios shows that there is no liquidity problems in Sainsbury.

### 3. 1. 6. Investor Ratios

#### **(i) Basic Earnings per Share (EPS)**

EPS ratio indicates the returns per shares from the investor's point.

#### **Tesco**

Tesco's EPS has been increasing gradually over three years from 26.95p in 2008 to 27.14p in 2009 and 29.33p in 2010. This is because of high profit.

#### **Sainsbury**

The EPS of Sainsbury is not seems so smooth as there is decrease in 2009 to 16.6p from 19.1 in 2008. But in 2010 there is nearly double increase to 32.1p. This shows the volatility in the relation to the shareholders.

#### **(ii) Dividend per Share (DPS)**

#### **Tesco**

Tesco's dividend per share has been increased to from 10.90p per share in 2008 to 11.96p in 2009 and 13.5p in 2010 which means Tesco is doing well to its shareholders. The main reason behind the increase in dividend per

share is due to increase in net profit mainly from the national and international market sales growth.

## **Sainsbury**

Sainsbury is also doing quite well in dividend per share which has been increase from 12. 0p per share in 2008 to 13. 2p in 2009 and 14. 2p per share in 2010. From investor point of view Sainsbury is doing better than Tesco in dividend per share. As we know dividend per share were made internal from the company so they may contain false information to attract investors that's why investor should not concern on it.

### **iii) Share price**

1source: tesco plc. com

Figure 1 share price movement of Tesco and Sainsbury

Tesco share price is better than its rival Sainsbury over 3 years times. As we see from the figure Tesco share price on 26/2/2008 was 409. 25p where as Sainsbury was only 368. 50p on the same day. But the next year the both companies share price decrease due to the economy fall. In 27/2/2009 Tesco share price was only 338. 20p where as Sainsbury has 321. 75p. In 26/2/2010 Tesco is doing better in share price with increase to 422. 40p with further increase in later in the year but the share price of Sainsbury fall down to 322. 30p on the same day.

### **Overall analysis**

As we see the trend of movement of share price of both companies it in decreasing trend with fluctuating economic condition. The decreasing trend

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is mostly due to the economic recession all over the world. From the starting of 2009, while there was a little bit start of recovery in world economy recession the share price of both companies are in increasing trend till now. But comparing the two companies it seems Tesco share price increase more rapidly as compare to Sainsbury because of the good performance of Tesco and the market strategy.

#### **iv) Price / Earnings (P/E) Ratio**

Price / Earnings ratio shows how much the investors are willing to pay per pound of earnings for a share. The high P/E indicates investors are expecting higher earnings growth in future.

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#### **Tesco**

The P/E has fall from 15. 18 times in 2008 to 12. 46 times in 2009 because of economic crisis but due to recovery in economy and good performance of Tesco, the price earnings ratio again goes up to 14. 40 times in 2010. As compared to Sainsbury Tesco performance on last two years wasnot so good but in 2010 Tesco is doing quite well than Sainsbury.

#### **Sainsbury**

The P/E ratio of Sainsbury has risen a little bit in 2009 to 19. 38 times as compare to 19. 29 times in 2008. But in 2010 the P/E ratio fall dramatically to 10. 40 times even there is going economy recovery in the world. The fall in P/E ratio seems not good for the company from the investor point of view as investor always willing higher earnings.

### **3. 1. 7 EFFICIENCY MEASURE**

#### **i) Net asset turnover (NAT)**

The net asset turnover ratio represents the amount of revenue generated by the company as a result of its asset on hand. It measures how efficiently the company is operating.

#### **Tesco**

The net asset turnover of Tesco is decreasing over three years period from 2.38 times in 2008 to 1.94 times in 2009 due to massive investment in assets. Then there is a little bit decrease in net asset to 1.90 times which means the efficiency of asset is not quite good enough to generate the cash.

#### **Sainsbury**

Sainsbury's NAT was quite good as compare to Tesco. There was also slightly increase in NAT from 2.54 times in 2008 to 2.66 times in 2009. But in 2010 again decrease to 2.48 times.

The decrease in NAT may be due to saving investment in asset to cope with future economy crisis.

#### **ii) Return on total assets**

This ratio measures a company's earnings before interest and taxes (EBIT) against its total net assets. The ratio is considered an indicator of how effectively a company is using its assets to generate earnings before contractual obligations must be paid.

## **Tesco**

Return on total asset in Tesco has decreased to 6.49 times in 2009 from 9.29 times in 2008 because of more investment in fixed and current asset. But this ratio was increase to 6.90 times in 2010.

## **Sainsbury**

Sainsbury Return on total asset was decrease in 2009 to 4.64 times from 4.98 times in 2008. But in 2010 its increase significantly to 6.75 times which seem far better as compare to previous year which is mainly due to increase in earning.

### **3. 2. NON FINANCIAL ANALYSIS**

(i)SWOT Analysis:

SWOT Analysis is the simplest of positioning company internal analysis by strength and weakness also external analysis by opportunities and threats. After the analysis the company should build the strength, fix their weakness as they are internal factor and they should exploit opportunities and minimize threats to be successful. As we know opportunities and strength should match, then only the company able to exploit their opportunities.

We are now looking at Tesco's SWOT analysis:

#### **Strengths:**

Diversified Business: Tesco which used to be the food super store now spreading in other product market sectors such as clothing, mobile, petrol, finance etc makes it easy to cope with any kind of risks. This is strength

because the risk of one market sector fails to gain sufficient revenue is spread among other sector to cover that loss.

Global market: Tesco operates in more than 12 countries apart from UK with strong performance and good reputation which means Tesco should not depend on any specific territory to success.

Brand name: Tesco brand name with slogan ' Every little help' enables to launch their own different product with best quality that is in affordable price. The brand helps Tesco to attract new customer as well as keep the existing customer.

Online sales: Tesco is the supermarket which is doing very good in online sales with tesco. com which avoids the investment in physical stores and for customer it avoids to visit crowded store and the fear of unavailability of product in store.

Club card: Tesco offer its customer their own club card so they hold their customer to their store and also record the customer's information about their most shopping and make that product availability.

Stores: Tesco which got strong market share more than 31% is opening its stores looking the need of that area. Such as in business centre it open small Tesco Express and in residential area there are Tesco Extra, Metro, Superstore etc. So the competitors are unable to beat Tesco.

Corporate social Responsibility: Tesco is not only making money itself also help the community through different charity programme such as Cancer

Research UK's race in 2009. It also helps to protect the environment through <https://assignbuster.com/an-analysis-of-business-and-financial-performance-of-tesco-finance-essay/>

encouraging customer to reduce use of plastic bag and also going to be zero carbon business by 2050.

## **WEAKNESS**

Too much diversification: Tesco is diversifying in different market sector which makes it difficult to focus on particular sector. So Customer may not get the quality product or service which harms their reputation and may loss their potential customer.

Lack of global Business knowledge: Tesco entered to global market without proper studies over there which makes them hard to face the competition such as in first year they face in US store ' Fresh and Easy'.

## **OPPORTUNITY.**

Expand on non-food market: Tesco which used to supply only food product is now has lots of opportunity in non-food product such as clothing, electronic, finance etc. Tesco has opportunity of generating lots of revenue through good customer service, smooth supply of non-food product.

Knowledge utilization: Tesco which is now one of the international giant supermarket, there are lots of opportunities of using its global business knowledge and experience in expanding its global market in more countries and place which help them to generate more revenue.

Strategic alliance: Tesco which is providing lots of service in one roof has opportunity to expand through alliance. So that the specialization company helps to provide better quality service and assist in promoting sales.

## **THREAT**

**Weakening Economy:** Economic condition play the vital role in the performance of the company. It not only hits the one sector but also damage the whole industries. In recent year due to global recession every company facing difficult to survive due to decrease in purchasing power of customer. So it is necessary for Tesco to make certain strategy to tackle that problems.

**Competitors:** There is always the biggest threat of existing and new competitors as the market is so attractive. The existing competitor such as Sainsbury, Asda, Morrison etc increasing their market shares so Tesco should always look for new strategies to cope that threats.

**Global management:** Tesco is operating more than 12 countries which make them harder to manage the company because of different culture and rules. There is also different economic condition so need the certain knowledge and experience to cope with that threats.

### **(ii) Strategic Analysis**

Tesco is setting its strategy to motivate towards the progress of the company by focusing on its customer as well as society. Before there were only four strategies which only focus on company performance but now they add one more strategy towards the community which is also on their corporate social responsibility. So now Tesco's strategies can be analyzed under five main heading:



**a) To be successful in international retailer:**

Tesco is operating more than 12 countries and the experience of more than ten years in overseas; Tesco is making some of its strategy by the knowledge gain over there such as:

Be flexible

Act local

Maintain focus

Use multi-format

Develop capability and

Build brand.

**b) To grow core at UK business:**

Tesco group business is significant within the UK with over 2, 200 stores and more than 70% of group profit from UK business. Tesco is dominating UK market share with approximately double than its rival. Tesco has four main type of store to fulfill the need of customer such as Express, Metro, Superstore, and Extra. They also in trail of new format of