

Management principles at tesco



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Introduction

The organisation which we have taken for the study is Tesco Express the sub brand of Tesco Plc. In our study we are going to identify, describe and evaluate the following management area of Tesco Plc, where we will be involving Marketing Principles to give proper management report on the basis of below strategies:

- The Organisation Orientation
- The competitive advantage of the organisation
- The Impact, positive and negative of the organisation's Marketing Mix
- Management report of Tesco Express- Strength, weakness and improvements that will help to maintain competitive advantage in near future

Origin of Tesco

Tesco Plc the leading Britain retailer among the top three retailers in the world. They are operating 3700 stores among the world and they have employed around 470, 000 employees. They are operating in 14 countries and they are UK, Republic of Ireland, India, China, Japan, Czech Republic, Hungary, Malaysia, Poland, Slovakia, South Korea, Thailand, Turkey, and USA. Tesco Plc was started by Jack Cohen in 1919 and the name Tesco was first appeared in the shop in Edgware in 1929 since the company has grown they were implementing their innovation in different business.

Jack Cohen founded Tesco and his first day profit was £1 among his £4 sales on selling a grocery from the stall in East London. In the year 1924 the first in-house brand of Tesco has launched and they named that product as Tesco Tea. The names come from the initial of TE Stockwell, who was a partner in <https://assignbuster.com/management-principles-at-tesco/>

the tea supplies and the CO from Jack Cohen's Surname. In the year 1932 Tesco stores limited have changed to Tesco private Limited Company.

Tesco the brand which have changed their way they do business so fundamentally in each and every part of its company. Because of this change they have done in to business which also includes the loyalty management. For that they have taken a different expertise among the world as the earliest and that they have that named as Clubcard. Tesco joined with DunnHumby and created a Clubcard to tracks the buying behaviour of their 13 million customers, through recording and tracking consumption data from shopping bills. Tesco and DunnHumby have jointly built, maintain and mine a rich customer database with information.

The Organisations Orientation:

Their core business logic is to satisfy their needs and wants of the customers. The production department when starts to manufacture the product, it focuses on the promotion, distribution, pricing etc.

How Tesco Express implemented its Market orientation: It overall beats the competition in producing the best quality product to the end users with great customer satisfaction as mentioned below:

- Flexibility
- Plan and goal setting
- Managerial and interpersonal skills

Flexibility - Tesco Express is widely opened across the cities in UK and gives options to many consumers to shop easily. In total there are around 150 shops which is great benefit to the consumers. They have introduced online <https://assignbuster.com/management-principles-at-tesco/>

trading where customers can place an order and buy it without any hindrance. Self billing has been bought up to avoid queues, saves time and energy, people can use the self bill system and pay by themselves and also introduced Club cards in which they can measure sales and improve accordingly by collecting database.

Plan and goal setting- Every organisation has its own plans and works only with the setting right goals at right time. Plans are to maximise sales and profits, maintains No 1 retail store in UK. Targets competitors and remains as a market leader, provides goods/services that are cheap and affordable to public. Business plans and modules are followed to achieve respective goal. Each objective has deadlines to meet so they have to meet their set objective within the stipulated period of time.

E. g., Point of sale is an important merchandising activity to remind, people to stock up, just in case, a different product in categories has been brought together under Barbecue Theme, and a sale tends to increase. With the exceptions of meat, Tesco Express has brought all its barbecue products together under one category in store in order to promote sales and profits.

Managerial and interpersonal skills

Good managerial and interpersonal skills determine good business, we will explain one by one.

Managerial skills- It means that one who takes responsibility in handling set of teams and everyone has to report to him/her. One who completes the task within stipulated period of time so that every other staff members can be motivated and then work effectively and efficiently. Tesco express handles

sensibly in this department as it has to deal with the customers directly.

Good managers will follow the prescribed plan and work accordingly.

Interpersonal skills- Communication is nothing but exchanging words with one and another and it is must in any field. Good communication can become good leaders. When handling customers of different regions, each one has different style of speaking so Tesco express handles this part very well. Once staff members have good communication skills it automatically enhances and builds relationships.

Marketing: Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably. (C. I. M, 2001)

In this cut throat competition, Tesco innovations and re-innovates the new product as per the marketing environment in comparison with its fellow competitors. Healthy competition gives the best outcome of the product like price and quality. The main aim is to maximize customer's value as a source of competitive advantage.

Tesco's Marketing Concept

It congregates the customer needs, wants and preferences more effectively and more closely than competitors like ASDA, Sainsbury & WM Morrison supermarket. The basic philosophies of the organisation are production and sales, it integrates the various activities like production, selling, distribution promotion, advertisement and human resource management in a profitable way for the service of the customers.

Production: Focuses on the goods where quality matters and profit is gained on the volume of sales. Quality should be maintained in all the stages of production

The company which offers around 1000 products under their own brand Tesco. Comparatively they are quality oriented and price oriented. These products are mainly targeted customer daily needs. They are following exact market economics to market their products.

Sales: Even Tesco has its own products in Tesco express also they sell products from different brands too. While comparing with other products Tesco products is more cost effective and with high quality. Tesco Express is one of emerging sub brand in the UK is offering the customer to minimise their shopping time. New innovation has been brought in the form of advanced technology for the customers to generate and pay their own receipts by them.

Goals have been divided into 3 different sets

Once it sets up the plan with the right objective, the next strategy is to maximise sales with customer satisfaction. Let us take through with 3 different sets of goals.

1. The organisation recognises the market movements of its competitors in order to maintain good mindset in people's mind.
2. It strives hard to satisfy customers needs, preferences and taste which is very big task.

3. The last and foremost goal is carried out in the internal management to increase productivity with great coordination among staff members who works as a team.

Let us concentrate on planning aspects with involving planning strategies as discussed below.

Marketing Planning: Turning strategies into implementable action and it is a detailed written statement where each and everyone in the organisation must follow the principles and guidelines and act accordingly.

Planning is decide in advance what to do and what not to do, planning plays a vital role in the supermarket division as it deals with FMCG products, in day today's business the sales increases rapidly when everything goes according to plan.

Internal and External Environment Key Aspects

Where are we now?

Significant improvement has shown in identical market in UK

- Marketing Audit
- Market Research
- Environment Analysis

How did we get there?

They got there simply because of good performance which was solid.

Where are we heading and where do we want to be?

Tesco express has strived to achieve the highest standards to ensure the long-term access to quality products and maintain their position as the UK's number 1 supermarket. Tesco's aim is to keep customers happy, to achieve <https://assignbuster.com/management-principles-at-tesco/>

high profit margins, to motivate workers, expand its marketing strategies, and support economic issues and to be friendly towards the environment.

Tesco aims to cover every conceivable part of the consumer base with management controls with review procedures.

How might we get there?

It has good marketing mix strategies and implements successfully. By doing so it has reached heights by giving services to consumers.

Let us talk about the Positioning of Tesco Express

In earlier days Tesco did not have the brand name but when sales started picking up and demand was on higher side, it did not compromise quality in order to reduce price and it is very convenient to the customers to purchase products as quality of products are available. Once customers got an idea how good Tesco is then Tesco gained its brand name.

With the brand name Tesco started to experiment the products with greater profits and then it is managing the customers with great customer loyalty.

Philosophy of entire marketing mix hinges with good positioning and failed to do so creates unsound positioning.

Positioning Strategies

- Reasonable price
- Good quality
- More and variety of Products
- Clearance sales
- Weekend offers and Festive offers

Keys to successful positioning are based on competitiveness, successful positioning, creditability and consistency.

Repositioning of product

- Takes place when positioning of products declines
- Change in customer tastes and preferences
- New competitors enters the market

Competitive advantage of the organisation

Jack Welch, former CEO of GE says, "If you don't have competitive advantage, don't compete". (Jobber 2007: 773)

In the face of global competition and cut throat competition, there are many competitors are growing day by day and the rule of survival for the fittest comes into picture. Companies are forced to survive by increasing the production and sales at a better rate. With today's technology changing day by day organisation has to put the best foot forward to stay and compete. As a result they gain enormous experience to handle different sets of consumers and their buying habits Marketing is all about to generate transactions and to generate relationships.

No organisation stands alone in the market without competitors; the company cannot develop its products by developing the product range and its features but also faces the competitive environment of the market. The factors which analyse the changing economic environment of the trading community and it react accordingly. The competitors also influences various factors such as success or failure of a business in any market conditions, this is why it is important to consider systematically a number of aspects of competitive behaviour.

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Competitive analysis is a systematic approach in understanding the key factors of the planning strategy in terms of objectives, resource allocation and implementation through the marketing mix. A good understanding of these factors reveals the organisation to be in a stronger arena in building and sustaining foundations for the firm to hold its position to maintain the reputation in the longer run.

When competitors are identified, the probability of forming them into clusters, depending on focus and strategy. The outcome of the identified clusters identifies strong and weak competitors in each group which can be considered as the strategic opportunities defined.

These are the number of different characteristic that can be used for identifying strategic segments, which in turn provides a useful framework for evolving opportunities in business environment that leads to an order of implementing organisational behaviour techniques of competitor's data that relies on financial performance of the segments served in marketing strategies.

The arch rival of Tesco express is Costcutter because they are the one who have similar marketing policies to overcome its rival. Tesco Express is spread all over the United Kingdom with in and around 1000 outlets but Costcutter is with 1600 outlets. Comparatively Tesco express and Costcutter got the same logic of attracting their customers to sell best quality with reasonable price. However when we analyse the competitive advantage of Tesco to overcome its fellow competitors with new innovation called Auto billing and paying system but Costcutter lacks with that facilities. Opening as well as

closing times varies with Costcutter as it is opened 24 hours open and Tesco express opens from 6am in the morning and closes 10pm in the night. So all we can say is that they are the perfect competitors with having leads and falls with each other in different facts.

Tesco express is using different segmentations to make the Tesco express successful among their competitors and their segmentations are geographic, usage and loyalty;

On geographic segmentation they categorise their shops according to the market. They mostly were concentrating on the region where they can have the more people who are be the bread and butter consumer that means people who wants to buy one or two products at that specific period of time. There's a brand familiarity that you don't always get from a local store and the concept is familiar through use of the superstore predecessor. On usage segmentation being an express the range is limited and choice or very little and the price is bit higher than its own Tesco extra.

On the loyalty segmentation they have just been the successor of the concept called " Clubcard". They have track the customers with the card and it make them to analyse to find the exact need of customer and they serving them according to their needs.

Marketing objectives of Tesco Express as follows:

Tesco's Marketing Objectives

- The main aim is to retain customer satisfaction and maintain number 1 Retail Company in the UK

- To maximise sales and profit
- To provide reasonable price to the consumers

Marketing Environment

Marketing environment and its influences It has been divided into 2 different categories based on 4p's

- Micro Environment
- Macro Environment

Micro Environment has been divided into 4 divisions namely

- Suppliers
- Distributors
- Competitors
- Customers

Macro Environment has been divided into 5 divisions namely

- Socio Cultural Environment- Factors affecting demographic structure of the population, lifestyles, attitudes, cultures, issues of public and private concerns, tastes and demands
- Technological Environment- Creates new product opportunities and improve production
- Economic Environment- It determines demand and supply chain
- Political and legal Environment- Rules, laws and regulations are operated as per the Government bodies. Ex: Smoking in public places
- Ecological Environment-Factors such as global warming, pollution, recycling, packaging etc.

Macro environment with Tesco's principles

Socio Cultural Environment- Brassington and Pettitt has given definition regarding Demographic, where he briefly explains that it is the study of the measurable aspects of population structures and profiles including factors such as age , size, gender, race, occupation and location.

Tesco express has widely opened across and also outside UK to satisfy customer needs and preferences. It represents the strength and weakness. There are wide range of products to satisfy all ages and all classes of people. It broadens tastes and demands according to people's lifestyle and their expectations. If it does not satisfy's then customers can lose interest and faith.

Technological Environment

When an organisation uses more and more different techniques then flexibility comes into picture. Tesco express operates paperless transactions. It brings out new innovation strategies to market the product as per the existing environment. The recent one which it has introduced new way of billing system call, " Till ", where customers can pick, pack and invoice themselves.. This new system has given new dimensions to the customers to save an extra time. Market research is carried out on a regular basis where an organisation collects information with the respect to the customer focus

Economic Environment

In this Economic environment two keywords which handle the whole market are demand and supply. When there is a demand in the market supply increases automatically, this will have a huge impact in the business

environment. They concentrate on the factors affecting economic business and monitor them in order to overcome.

Political and legal Environment

Each and every organisation concentrates on the government laws, rules and regulations. Tesco Express follows strict rules and regulations and gives out warning signals to the customers. It also gives smoking free environment. E. g., Smoking is prohibited.

Ecological Environment

It aims to set up a greenery environment in the form of waste, packaging, recycling, and also cutting carrier bag use. It converts waste into an energy source and reduces the amount of waste going to landfill by over a third and works on waste targets scheme which are reviewed and reported every week. We have taken examples of two like packaging and recycling. If we take packaging with the product name called Eggs. Packaging helps to protect and preserve food for longer duration and promotes the product to reach the customers in the best condition.

Recycling facilities are available in all our markets except China and Turkey. Tesco's future plans are to implement recycling facilities even in respective countries as mentioned to have a global impact in the marketing environment. In UK we have 600 recycling centres of our larger stores. Last year we helped customers to recycle approximately 200, 000 tonnes.

Market Segmentation

The identification of groups of individuals or organisations with similar characteristics that will have significant implications for the determination of marketing strategy. (Jobber 2004)

Segments can be defined on the basis of Tesco principles

Customer Satisfaction- customers can be pleased all the time because all the products are available under one roof so chances of pleasing them will be on higher note. They don't target individuals indeed they target on the whole. Customers have variety of products to choose and satisfy their preferences. E. g., Products are sold to all age groups with reasonable price and with most importantly good quality

Methods of Segmentation

Geographic: It targets customers as per the location, country and also takes into consideration whether it is Rural and Urban. Before it opens any new branches, it undergoes market survey based on the customer's potential within the respective location. It also makes sure that for which country products are produced, plans for the available resources so that can be used up to the fuller extent, different sets of people has different taste and preferences according to their lifestyle. E. g., In China people have different lifestyles when compared to UK.

Demographic: Once it does sets up the business by creating a layout of the geographic successfully, now the next part is to introduce product based on the marketing analysis which includes people age, sex, race, income, occupation, socio-economic status. It collects complete database and then goes forward. Surveys are conducted at regular intervals with the interest of

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not losing customers focus and interest. This reduces the negative impact on the organisation.

Geo-Demographic: Geo- Demographic is nothing but the combination of geographic and demographic. Organisation works on the purchasing behaviours of the people. Once it gathers the available data by doing research in first and second stage and then works as per the prescribed plan. Postcode systems can assist agencies in the new business development, customer profile and identification.

Psychographic: Tesco divides the market on the basis of life style and personality of the consumers. It targets people of all ages with their requirements. From grocery, eatables, liquor...

Mission

Every business has its goals/objectives and works on directions set by the management. No firms can succeed without objectives and tagline of Tesco is, “ Every little Helps”. This tagline has created a realistic statement which is motivating and creates intent in the organisation. The realistic purpose is to provide focus and direction through the conduct of the business.

Marketing Mix

An Effective marketing mix

- Tesco compromises on price and does not compromise on quality
- More demand and more supply.
- Customer loyalty

The Impact, positive and negative of the Tesco Express marketing mix

Marketing mix is divided into 7p's but let us concentrate on 4p's which as follows.

- Promotion
- Place
- Price
- Product

We will critically discuss 4p's in the following stages:

Promotion

Promotion is generally referred as awareness created towards the introduction of new product and also the availability of the existing product by means of selling activities and advertising. The main aim of promotion is to spread awareness of the products, uses and benefits. It helps the organisation to position their products in the market to reach customers. The effective tool of promotion of Tesco Express is in the form of television and email adverts, message should be clear and simple so that it can reach the targeted audience by creating a desired response. There are different types of promotions such as advertising, personal selling, public relations and sales promotions.

Promotional strategy

One of the Tesco's key strategies in the promotional activity is, " Clubcard" loyalty scheme where it has been a huge success and in turn their market share has been increased. This change has led them to be a market leader. They were giving best and competitive prices to the market, products like fresh vegetables, fish, chicken , mutton, beef and all sorts of necessary day

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to day needs which were outsourced from the farmers , fish, mongers , butchers directly. They have opened number of convenience stores in every possible place and therefore have a good appeal to a huge number of customers in the market environment.

Advertising

It can be defined as any paid form of non-personal promotion transmitted through a mass medium. The sponsor should be clearly identified and the advertisement may relate to an organisation, a product or a service. The key difference, therefore, between advertising and other forms of promotion is that it is impersonal and communicates with large numbers of people through paid media channels. (Ref 1)

Each and every organisation will advertise for the products produced, Tesco has always gives ads saying that they sell cheapest product in the whole of UK and it is one of the cheapest selling supermarket, where they claim that the price of the products is at least a penny less than their competitors firm in the advertisement featuring Prunella scales and Jane Horrocks comparing bills between Tesco and other stores. Stringent rules has to be followed when it is giving comparative advertising as per UK governments rule and abides the body for advertising standards, the Committee of Advertising Practice as listed in the rules and regulations act.

They also have different advertisement taglines called, “ Every little helps”, “ We sell for less”, “ 1 billion pounds off”, “ is you’re nearest the dearest”, “ Low prices every day because we sell 10000 everyday”. There have been

many advertisement campaigns stating that their products are cheaper to their direct competitors.

Sales Promotion

According to the institute of sales promotion, sales promotion is:

“ A range of tactical marketing techniques designed within a strategic marketing frameworks to add value to a product or service in order to achieve specific sales and marketing objectives”.(Ref 3)

The store offers a wide range of promotional offers in various times, if they open a store they would give away vouchers having a £2. 00 discount on every £6. 00 spent for every passerby, club card members, computer tokens for schools. Below are the examples of New Year sales promotion.

Examples of the New Year promotions offers include:

- Danepak Maple Cure Back Bacon 220g, was £3. 00, now £1. 50
- Extra Large Pineapple, was £3. 00, now £1. 50
- Dolmio Original Bolognese Pasta Sauce 750g, was £2. 12, now £1. 06
- Princes Tuna Chunks In Brine 4X185g, was £5. 39, now £2. 69
- Maryland Choc Chip & Hazelnut Cookies 150g, was 86p, now 43p.
- Kellogg’s Special K Oats and Honey 425g, was £2. 87, now £1. 40
- Pampers Baby Wipes Sensitive Refill 63, Buy One Get One Free, £2. 29
- Technika 24” Full HD TV with Free View & DVD, was £279. 97, now £229. 97
- Acer 4GB, 15. 6” Laptop, was £497, now £397
- Garmin Sat Nav, 215W, was £149. 97, now £99. 97

Public relations and publicity:

Stanley (1982, p. 40) defined PUBLIC RELATIONS as:

“ A management function that determines the attitudes and opinions of the organisation’s publics, identifies its policies with the interests of its policies with the interests of its publics, and formulates and executes a programme of action to earn the understanding and goodwill of its publics”.

Tesco maintains a good relation with the customers as per the sources, they have responded to query in time and they have attended to every problem faced by the customer, compromising on quality is not possible but most times they compromise on price. Good coordination is maintained even with their suppliers to maintain high standards. It also involves in wide range of charity operations.

E. g., Ref 5

Public relations(Ref 6)

Tesco uses a range of Public Relations firms including:

Weber Shandwick Worldwide;

72 Point (part of the SWNS Group - the UK’s biggest independent press agency);

CHA, the workplace communications consultancy;

Good Relations; 142

GGK Public Relations (Poland); 143

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The Maitland Consultancy.

Lawson Lucas Mendelsohn (LLM)¹⁴⁴.

Marketing communications budget:

Pickton and Broderick (2001, p. 67) define integrated marketing communication as

“.... a process which involves the management and organisation of all agents in the analysis, planning, implementation and control of all marketing communications contacts, media, messages and promotional tools focused at selected target audiences in such a way as to derive the greatest economy, efficiency, effectiveness, enhancement and coherence of marketing communications effort in achieving predetermined product and corporate marketing communications objectives”. (Ref 7)

So we have discussed about promotion and then we will concentrate on place.

Place

Place means where the organisation is set up and it depends on distribution channels and market research. The main responsibility of the is to reach the product to the customers in the right time and at the right place. Good channel strategy highlights the growth of the company. Tesco express has different distribution channels, like most other retailers they draw the products from their suppliers to their regional warehouses or distribution centres which is then prepared to be delivered to their stores. In an idea to reduce their prices and improve their reliability of the products they have

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extended their logistics practice by collecting directly in their factories and to their suppliers. They are using 3 types of transport in order to reach the customers early. Ex - we have taken road, rail and canal

Road

In response to the fear of over congestion of roads and a huge increase in fuel prices and concern over its carbon foot print Tesco are switching of their supply chains to alternative modes.

Rail

The Eddie Stobart group partnered Tesco in distribution of its products in the year 2006.

Canal

The Tesco started using the Manchester ship canal in 2007 to ship wine from Liverpool to a distribution facility in Manchester. The wine is previously offloaded from the south coast so that it completely avoids the road traffic.

Market coverage

Ensuring that the product is made available through appropriate intermediaries so that: (a) the potential customer can access it as easily as possible; and (b) the product is properly displayed, sold and supported within the channel of distribution. Market coverage might involve intensive distribution, selective distribution or exclusive distribution. (Ref8)

According to Tesco express they target on a place where it is easily accessible and effective they setup stores or acquire the existing stores in that area they have been successful with that kind of strategy, they do a lot

of ground work dating back from the customers and then to the aisle rows, they are frequently replacing the items which are sold out.

Specific channel members

In the Tesco the channel members are appointed by the company itself where each one of the member in that board has a specific area to cover where the price negotiation, order approval and all the other necessities are taken care. Each department in the Tesco has its own head where the deciding authority is that person so they do-not have any intermediaries it is all B2B dealings. They outsource it directly from the producers.

Warehousing

Warehousing is an important link in the physical distribution chain. It enables goods to be stored and subsequently moved according to customer demand. The type and role of the warehouse will vary according to the demands of the products. (Ref 9)

In this part the Tesco has been playing an completely efficient and an more organised way of warehousing they are frequently being refurbished with the products. There are a number of warehouses situated in the places which are easily accessible for the stores maybe it a superstore, express, extra or a metro.

Product

Product means commodity offered for sales and it gives be benefit to customers. We often distinguish between product and services, service mainly on tangible products. It also means physical products which satisfy

the customer needs and preferences. While other competitors in the market, product sh