

Pestle analysis for tesco discusses its business environment

[Business](#)



Tesco, a multinational food retailing company, is headquartered in the UK and has stores in 12 countries across the world. It is the second largest retailer after Wal-Mart in terms of profits made and also holds the title for the second largest retailer considering revenues. Generally known for selling food and non-food products, Tesco, now also provides finance, mobile, insurance, hardware services and much more. To get a better understanding of this multi-platform international retailer, read on, as we analyze it through a PESTLE analysis for Tesco.

Political Factors

Since the retailing company operates worldwide, global political factors greatly influence the performance of Tesco. These include, tax rates, acts of legislation and of course, the stability of the country it operates in. Due to ongoing financial instability in the world, many governments encourage retailers to create jobs for the domestic population. As Tesco plays its part in creating employment opportunities, it also, in turn, increases the demand for its products and diversifies its workforce.

Economic Factors

These factors are the main point of concern for Tesco, as they are most likely to leverage costs, demand, profits and prices. Therefore, the company should be aware of any changes in policies, such as changes in taxation or any other factors which could affect the accessibility of finance. It is important to mention that although the business is growing internationally, the company is still quite dependent on the UK market where it has a market share of around 30%.

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With that said, internationalization and diversification have been two key strategies pursued by the company over the years, and a major reason for its success. Furthermore, due to decline in disposable income levels and household incomes, Tesco, has shifted most of its focus towards advertising its value brands rather than the more luxurious items.

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Social Factors

Due to a variety of social changes, trends indicate that customers in the UK have moved towards bulk shopping and one-stop shopping. Therefore, Tesco has increased the number of non-food items offered for sale. The type of goods and services demanded by consumers is mostly influenced by their beliefs and attitudes which, in turn, are influenced by social conditioning. Because customers are becoming more aware of health issues, due to which their approach towards foods is changing constantly, Tesco is adapting to these changes by accommodating the demand for organic products.

Technological Factors

The advancements in technology have brought various new opportunities for Tesco. Two of the most distinct ones include, firstly, the development and introduction of online shopping with facilities for home delivery. Secondly, self-service checkout points have provided convenience and ease for customers, which in turn have reduced labor costs. Furthermore, Tesco has also invested a significant amount on energy efficiency projects to fulfill its long-term objective to reduce its carbon footprint.

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Environmental Factors

With increased pressure on companies to address environmental issues and to adopt ways of operations which what would benefit society, Tesco is clearly committed to reducing its carbon footprint by 50% by 2020. Also, Tesco is minimizing the waste produced in their stores by increasing social conscience in customers.

Legislative Factors

Government policies and legislations also directly impact the performance of Tesco. For example, the Food Retailing Commission (FRC) in 2004 suggested a Code of Practice should be introduced which would ban many current practices, such as changing prices without notice or demanding payments from suppliers. To facilitate these policies, Tesco provides its customers price reductions on the fuel they purchase, in accordance to the amount spent on their grocery stores. Also, there are several promotion offers where prices are lowered.

So, here is a PESTLE analysis for Tesco which will provide you detailed information about the factors that affect its business environment. Read more about PESTLE analysis for monitoring a business [here](https://assignbuster.com/pestle-analysis-for-tesco-discusses-its-business-environment/).

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