

# Factors affecting tesco plc globalization



Tesco plc is the food and drink retail sector represents the major industry in the UK, providing, manufacturing, employment for over three million people in the main production and retailing. In 2004 retail accounted for 9% of (GDP) gross domestic product (Datamonitor, 2003). In latest years UK supermarkets have come under increased analysis over their management of suppliers, yet the increase of strategic supply networks has been essential part of largely supermarket strategies for the past decade.

This report is provides Tesco, with emphasis on its external environment and company's analysis of resources, competence and culture strategic and the resources based on strategies.

One of the largest food retailers in the world, Tesco operating about 2, 319 stores and employing over 325, 000 people. It provides online services through its subsidiary, Tesco. com. The UK largest market company where it operates under four banners of Superstore, Extra, Metro and Express. The company sells about 40, 000 food products, non-food lines, clothing and other. The company's own-label products are at three levels, normal and finest, value,. As well as convenience produce, several stores have gas stations, becoming one of Britain's largest independent petrol retailers. Other retailing services Tesco Personal Finance.

## **PESTEL FRAMEWORK**

### **2. 1Political Factors**

the company Operating in a globalized environment. Tesco has stores around the world now operates in the Republic of Ireland, Europe , Slovakia, Poland , Czech Republic, Hungary and Turkey. It also operates in Asia in

Thailand Japan Taiwan, South Korea, and Malaysia it is performance is greatly influenced by the political and legislative situation of these countries, including the (EU).

For employment the government encourages retailers to provide a mix flexible job opportunities, lower-paid and locally-based jobs to highly-skilled, higher- located jobs paid and centrally- (Balchin, 1994). Moreover to meet the demand from population categories such as working parents senior citizens and

Students.

## **2. 2EconomicFactors**

Tesco economic factors are of concern, because they are likely to influence demand, prices profits, and costs. One of the mainly influential factors on the economy is high unemployment levels, which decreases the effective demand for several goods. The economic factors are largely outside the control of the company, but their effects the marketing and performance can be deep. while international business is still increasing (Appendix A), and is expected to contribute better amounts to Tesco's income over the next few years, the company is still highly dependent on the market. therefore, it would be badly affected by any slowdown exposed to the market concentration risks and

in the UK food market

## **2.3 Social/Cultural Factors**

present trends show that British customers have moved towards 'bulk' shopping, which is due to a range of social changes. Tesco have, therefore, improved the quantity of non-food stuff available for sale.

Demographic changes such as the aging of people, the female workers are increase and a decline in preparation home meal mean that UK retailers are also focusing on services and added-value products . adding, the focus is now towards; the share of the own-label in business mix, the operational improvements and supply chain , which can drive costs out of the business. National retailers are increasingly reticent to take on new suppliers (Datamonitor Report, 2003 Clarke, Bennison and Guy, 1994;).

The type of goods and services demanded by customers is a meaning of their consequent attitudes and beliefs and social conditioning . customers are becoming more and more aware of their attitudes towards food are constantly changing and health issues. For instance to accommodate an increased demand for organic products Tesco adapting the product mix, and also the first company to allow customers to pay in cash and cheques at the checkout.

## **2.4 Technological Factors**

Technology is a main macro-environmental changeable which has influenced the increase of several Tesco products. The new technologies benefit the company and customers satisfaction raises because services can become more personalised and shopping more convenient, goods are readily and available. The launch of the Efficient Consumer Response initiative provided

the shift that is now apparent in the management of food supply chains  
(Datamonitor Report, 2003)

## **2.5 Environmental Factors**

In 2003, there has been improved pressure on several companies and managers to admit their responsibility to society. (Johnson and Scholes, 2003)

The major societal concern threatening food retailers has been environmental issues, a key region for companies to proceed in a socially responsible way. therefore, by recognizing this tendency in the broad ethical stance, the company corporate social responsibility is concerned through the ways in which an organization exceeds the minimum obligations to stakeholders particular through regulation and business governance

## **PORTER'S FIVE FORCES**

**Threat of New Entrants** The UK grocery market is mainly dominated by competitors, including the major brands of Tesco , Sainsbury's Safeway , and Asda, that take a market share of 70% and small chains of Somerfield, Waitrose and Budgens with a further 10%. Over the last 30 years, Ritz (2005), the grocery market has been changed into the supermarket-dominated business. The Majority of the large chains have built their power due to operating efficiency, major marketing-mix expenditure and one-stop shopping. This power had a large impact on the small traditional shops, such as, bakers, butchers and etc. therefore, these days it possesses a strong barrier for new companies who want to enter the grocery market. For example, it becomes rather difficult for new entrants to increase sufficient

capital because of large fixed costs and highly developed supply chains. in advanced technology This is also evident in huge investments done by large chains, like Tesco, for stock control systems that impact new entrants and the existing ones and checkouts . Other barriers include economies of scale achieved by Tesco.

**Bargaining Power of Suppliers** This force that can be influenced by major grocery chains and that fear of losing their business to the large supermarkets. Therefore, this consolidates more leading positions of stores like Tesco and Asda in negotiating better prices from suppliers that small individual chains are unable to match Ritz (2005). UK based suppliers are also threatened by the rising ability of retailers to source their products from abroad at cheaper deals. The relationship with sellers can have same effects in constraining the strategic freedom of the company and in influencing its margins. The forces of competitive rivalry have reduced the profit margins for suppliers and supermarket chains.

**Bargaining Power of Customers** Porter M. (1980) more products that become standardized or undifferentiated, the lower the switching cost, and therefore, more power is yielded to buyers. Tesco's famous loyalty card " Club card remains the successful customer retention strategy that increases the profitability of Tesco's business. In meeting customer needs, better choices, customizing service, ensure low prices, constant flow of in-store promotions like Tesco enables brands to control and retain their customer base. In recent years the food retailing has changed due to a large demand of consumers doing the majority of their shopping in supermarkets that shows a larger need for supermarkets to sell non-food items. Also it has provided <https://assignbuster.com/factors-affecting-tesco-plc-globalization/>

supermarkets with a new strategic expansion into new markets of banking. moreover Consumers have become more aware of the issues surrounding fairer trade and the influence of western consumers on the expectations and aspirations of Third World producers. Ethically and ecologically benign sound production of consumer produce such as coffee, tea, and cocoa is viable, and such products are widely available at the majority of large chains.

Threat of Substitutes for a particular product General substitution is able to reduce demand, while there is a threat of consumers switching to the alternatives Porter M. (1980). In the grocery industry this can be seen in the form of the substitute of need or product-for-product and is further weakened by new trends, such as the way small chains of convenience stores are emerging in the industry. In this case Tesco is trying to acquire existing small-scale operations and opening Express and Metro stores in city centres and local towns Ritz (2005).

3. 5Bargaining Powerof Competitors The grocery environment has seen a very significant growth in the size and market dominance of the larger players, with greater store size, increased retailer concentration, and the utilisation of a range of formats, which are now prominent characteristics of the sector. As it was mentioned above, the purchasing power of the food-retailing industry is concentrated in the hands of a relatively small number of retail buyers. Operating in a mature, flat market where growth is difficult (a driver of the diversification into non-food areas), and consumers are increasingly 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). This highly competitive market

has fostered an accelerated level of development, resulting in a situation in which UK grocery retailers have had to be innovative to maintain and build market share. Such innovation can be seen in the development of a range of trading formats, in response to changes in consumer behaviour. The dominant market leaders have responded by refocusing on price and value, whilst reinforcing the added value elements of their service.