

Essay on parliamentary sovereignty



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Tesco was founded in 1924 by John Edward Cohen in the East End of London. The name 'Tesco', was first used on tea, and was derived from the initials of Cohen's tea supplier, T E Stockwell, combined with the first two letters of Cohen. Tesco Stores Limited was incorporated in 1932. In 1935, Jack Cohen visited the U S A and was impressed by the supermarkets' self-service system which enabled more people to be served faster, with lower labour costs. In 1947, the Tesco branch in St Albans, a small shop by 21st century standards (200 square metres) was the first Tesco to be converted to self service, although it didn't immediately catch the public's imagination. See appendix 1 for details.

Tesco's Mission Statement

Tesco's mission statement is to Retain Loyal People. To make sure Tesco achieve their mission statement, they need to know who their loyal customers are. That is why Tesco has got a club card service, through which they can award people by giving them special vouchers and extra points.

Vision

A business aim is an organisation's long-term goal.

In 2005, the two core values of Tesco are: No-one tries harder for customers and Treat people as we like to be treated.

In 2006, Tesco's mission and vision shows that this company is really for quality service and values their customers:

- Be the leader in Quality Service provided to everyone in the retailing industry

- Understand the needs of their client and respond with urgency.
- Meet customer's demands and exceeds their expectations
- Maintain highly trained and motivated employees.
- Continuously improve their skills, service and achieve excellence in all of the company's endeavours.

Objective

Objectives are goals that a firm sets itself for the next three or five years.

They have a timescale, they must be measurable and they must contribute to the business achieving its aims. The core objective of Tesco is to establish value for customers in order to gain their lifetime loyalty. Tesco's success depends on their valued customers. These customers shop and work with the company. Tesco's principle is, if the customer likes what they offer, surely these people will come back and purchase again.

Industry Stage Life Cycle

The stage life cycle of the retail industry is no doubt to be mature because of the profits they are gaining every year. The retail industry's profit is increasing and profiting from their cash cows. Tesco is the largest UK retailer and the 3rd largest global retailer. Tesco controlled 30.8% of the UK grocery market as of May 2009 and ~9% of the UK non-food retail market. The majority of its sales and profits are generated in its 2,282 UK stores, which are segmented into the following formats:

Tesco Express – neighbourhood convenience store that focuses on fresh products, 961 stores

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Tesco Metro – city centre convenience store, 174 stores

Tesco Superstore – conventional supermarket, 448 stores

Tesco Extra – hypermarket that serves an entire community, 177 stores

Tesco Homeplus and One-Stop account for its remaining stores

The company also sells general merchandise through Tesco Direct, its online and catalogue businesses.

Tesco's management focuses on customer satisfaction by giving customers more choices where to shop and by offering them attractive prices on its products. In the fourth quarter of 2008, Tesco began selling new discount range of products to compete more aggressively on price against discounters. Its prices are generally perceived to be at a small premium to Asda and a small discount to Sainsbury and Morrison.

Tesco's primary supermarket competitors in the UK include Asda (17.3% share of UK grocery market), Sainsbury (16.3% share), WM Morrison Supermarkets (11.2% share), Waitrose (3.7% share), Aldi (2.9% share) and Lidl (2.3% share). In recent years, some of its major competitors have turned around their struggling stores, which will make it more challenging for Tesco to gain significant share in the UK market going forward.

Tesco uses its customer information to target and segment communications to the millions of its loyalty program members by almost infinite demographic, purchase, and lifestyle profiles. Several hundred million in-store purchases per day are being tracked by the loyalty-card program. The

company developed 5, 000 customer “ needs” segments, with each segment receiving personalized coupons. Source: www.tesco.com

Income Statement Summary

– Sources: Companies, www.DeutscheBank.com

Tesco’s UK sales grew 4. 3% last year (3% ex gasoline) and its net new stores contributed 2. 7% to growth. Its UK sales also benefited from a 53rd week that represented 2. 1% of sales and the first time contribution from the consolidation of Tesco Personal Finance.

International sales grew 30. 6% (including FX benefits) and 13. 6% at constant exchange rates benefiting from square footage growth and strong sales growth in Asia.

The company’s operating margin was flat at 5. 9% in fiscal 2009 as unfavourable sales mix was offset by increased productivity and good expense control. Its EPS growth was only 2. 6% last year, hurt by 26. 7% tax rate vs. 24% in fiscal 2008 when it benefited from tax reimbursement and lower UK corporate tax rate.

Introduction:

The organisations of choice are within the Retails sector – TESCO and ASDA as the elective firm both are UK based companies.

1. 1 Tesco objectives blend in with each other

All of Tesco’s objectives blend in with each other. None of the objectives will work without each other. For example; the business will not have any customers if the business is not operating well.

Share holders will not invest money in the business, if the business hasn't got any customers. The company will not be able to afford to have any employees working for them if they haven't got money being invested in the business.

1. 2. Stakeholders

Tesco Stakeholders are a certain group of people that have an interest in Tesco group businesses. Each group have their own interests in the business. The service-profit chain attempts to show the interrelationship of a company's internal and external communities, stakeholders and highlights how customer loyalty that translates into revenue growth and profits might be achieved; developed by Heskett et al. (1994). It does this by establishing relationships between profitability, customer loyalty, stakeholders and employees satisfaction.

Tesco has many stakeholders. They are as follows:

- * Shareholders * Customers
- * Employees * Government and Non-Governmental
- * Local Community * Suppliers
- * Financials * Pressure Groups

Customers:

Generally a customer wants quality goods at a low cost. They would also want a variety of products to choose from. All customers want these things and by Tesco providing them Tesco will attract more customers because of

people talking about it (Word-of-Mouth). Tesco like most business' need their customers because they are the business' income as the customers are the people who buy Tesco's products.

Tesco staffs hear customers' views on everything from how we are serving them in our stores to our role in the community. The customers are a bit like a pressure group because they apply pressure to Tesco to meet their needs. Meeting the customer's needs can be things such as expanding their stores.

Staff

Tesco employees give management their feedback through the Viewpoint staff survey, Staff Question Time sessions and Tesco Staff Forum process.

Suppliers

Tesco group core value is “ treat people how we like to be treated”, and it's something Tesco organisation applied firmly to enhance their supplier's relationships.

Investors

Capital Investor Relations team regularly meet analysts from the financial institutions which invest in Tesco group or represent their shareholders.

All the above defined stakeholders are Tesco group influencers. They affect the outcome of the decision making process through their influence on others. Influence could stem formally from expertise, such as the advice of an accountant on return on investment.

2. Nature of the Retail (Tesco) Marketing Environment

The definition that the module assignment work with is that Tesco organisation's marketing environment is made up of those forces that lie outside the Tesco group – organisation and that exert some degree of influence upon the ways in which marketing management develops relationship with the firm's target markets.

Two distinct components within Tesco environment are: Micro-environment and the macro-environment. See figure 1 below.

Social and cultural factors

Legislation

Economic

Factor

Political

Issues

Technological changes

Supply chain

Customers

Competitors

Suppliers

Distributors

The Tesco Organisation

Figure 1. The Tesco Organisation's marketing environment

It is recognised that regardless of which approach Tesco group adopts; the environment is a significant determinant both of strategy and organisational performance. Baker (1985, pg. 85) described it as “ the ultimate constraint upon the firm's strategy”; Drucker (1969), referred to the environment of the 1960 and 1970s as “ age of discontinuity”; and Toffler (1970, pg. 28), who look ahead, referred to it as a time of “ future shock”.

2. 1. MARKETING AUDIT

The marketing audit is really the launching pad for the Tesco marketing plan, because it encourages Tesco management to reflect systematically on the environment and the organisation's ability to respond, given its actual and planned capabilities.

Similar to financial audit, marketing audit is first and critical about developing a shared, agreed and objective understanding of Tesco organisation.

The audit is has suggested by McDonald (1995, p. 28):

“ The means by which a company can identify its own strengths and weakness as they relate to external opportunities and threats; It is thus a

way of helping management to select a position in that environment based on known factors.”

Three major elements and potential benefits of the marketing audit can be seen to be:

The detailed analysis of the external environment and internal situation

The objective evaluation of past performance and present activities.

The clearer identification of future opportunities and threats.

These three above factors can be viewed against the background of comments made by Ansoff (1968 & 1984), who has suggested that “irrespective of the size of the organisation, corporate decisions have to be made within the constraint of a limited total resource”.

Marketing audit have a place the overall management audit that incorporate financial audit together with audits of other functional areas as illustrated in figure 2 below.

Marketing audit in terms of structure consists of three major and detailed diagnostic steps. That involved a review of: Tesco organisation’s environment (opportunities and threats) – designed to establish the various dimensions of the marketing environment, change and probable impact of these change upon the organisation; its marketing systems (strengths and weakness) – an assessment of the extent to which Tesco’s marketing systems are capable of dealing with the demands of the environment and its

marketing activities – review of the individual components of the marketing mix.

There are the environmental variables and operational variables with distinction in terms of the macro-environmental forces (political / legal, economic / demographic, social / cultural, and technological) that affect the business. Micro-environmental actors (customers, competitors, distributors and suppliers) who subsequently influence Tesco organisation's ability to operate profitably in the market-place

Macro environment is the most general external audit of the environment, that consist of broad environmental factors, aimed at identifying key variable that offer actionable responses that would benefit Tesco and threats that must be avoided. These key external forces can be divided into five broad categories.

Economic forces

Social, Cultural, Demographic and Environmental forces

Political, Governmental and Legal forces

Technological forces

Competitive Force

Financial

audit

Personnel audit

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Production audit

The

Management audit

Marketing audit

EXTERNAL (Opportunities and threats) – Macro

The business and economic environments (political, economic, social/cultural, technological, legal and environmental factors – PESTLE)

Market

Competition

INTERNAL (Strengths and weaknesses) – Micro

Organisational performance and structure

Operations and resources

Marketing objectives

Marketing strategy

Information systems

Planning systems

Control systems

Functional efficiency

Inter-functional efficiency

Profitability analysis

Cost-effective analysis

Figure 2. The place of the marketing audit in the overall management audit

2. 2. SWOT Analysis

The strengths and weaknesses of a SWOT analysis focus on the current market position of Tesco in retails business in relation to it's:

Customers – is the business meeting the needs of its target markets

Competitors- is the business offering a better way of meeting customer needs compared with its competitors

Internal resources- is the business making effective use of its internal resources to meet customer needs and deal with competition

The opportunities and threats of a SWOT analysis focus on the future market position of Tesco in retails business.

Tesco organisation used their strengths and limits the weaknesses to plan for future development, marketing strategies and activities.

Tesco's opportunities and threats grew out of objectives, consideration of the real strengths and weaknesses of their business.

Specific information were collated (such as data captured and analysed from CRM programs) before the process begins and personnel working to a joint

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solutions, adopted a truly objective positioning for the processes to be successful and worthwhile.

2. 2. 1. The main purpose of a SWOT analysis:

Identify market opportunities

To avoid complacency about market position – a self evaluating organization

As a safety check before embarking on major new project

As a response to change – change of director might initiate a SWOT analysis to gauge the strength of the team.

There is no set procedure for carrying out a SWOT analysis but care must be taken to identify weaknesses if the process is to serve its purpose. A weakness may purely be lack of information, or lack of suitably qualified staff.

SWOT analysis of TESCO

Strengths

Weaknesses

To provide high level customer service

Presence in multiple retail markets

For Tesco to create unique products

Increasing market share

Wide knowledge of retail industry

Competent top management and rank & file for operation and maintenance

Existing customer base

Financial investment backing.

Strong IT returns through internet shopping

Good advertising

Used iconic models to attract core target group.

Tesco Online

Brand value

Insurance

Secured commercial standing within the global market place winning Retailer of the Year 2008 at the “ World Retail Awards”. This can be used for marketing campaigns to drive advantage towards the demographic base for future growth and sustainability

Product diversification – home and furniture

Turnaround in sales and growth

As a business looking for continued expansion TESCO have reserve funds of credit coupled with income derived from property portfolio development funds.

In an environment where global retail sales are showing decline or level performance on a like for like basis TESCO Group have published sales gain of 13% for UK markets and 26% growth in international markets.

As a business looking for continued expansion TESCO have reserve funds of credit coupled with income derived from property portfolio development funds.

Tesco's position as a price leader in UK markets can lead to reduced profit margins in order to retain the key price points on must have commercial items.

Grocer outlets are not set up to operate as specialist retailers in specific areas of product which can be capitalised on by other smaller bespoke retailers.

Low supervision on international market

Considerably late exploitation of the Internet.

Whilst current economic conditions suggest Tesco's key value message will succeed there is a weakness in non-essential, mid to high ticket price items which will suffer from the rising cost of living and lower disposable incomes.

Reliance upon the UK market

Comparing Tesco with British Airways might get you thinking about how dependent Tesco is on the UK market (73.8% of 2003 revenues.)

Comparing Tesco with Amazon might reveal flaws in its attempts to move into new markets.

TESCO Finance profit levels were impacted through bad debt, credit card arrears and household insurance claims.

Grocer outlets are not set up to operate as specialist retailers in specific areas of product which can be capitalised on by other smaller bespoke retailers

Opportunities

Threats

Statistics suggest TESCO is the third largest global grocer which indicates a level of buying power to ensure mainstream economies of scale.

Further international growth

Expansion of target market

Healthy market environment

Increasing detraction of small retail businesses in UK

Use younger more contemporary models to attract younger generation.

The acquisition of Homever provides the opportunity to develop the brand through Asia, specifically South Korea and further grow International markets for the group.

The development of Tesco Direct through online and catalogue shopping will grow the use of technology, providing the launch pad for larger non food

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based products with moderate to high margin returns and less focus on sales and margin per foot return to space.

TESCO mobile have grown ¼ million customers in 2008 and moved into profitable status suggesting further growth and development within this technological area can be developed.

Tesco Homeplus stores offer all of Tesco's ranges except food in warehouse-style units in retail parks.

Introducing wider ranges such as Tesco (Value, Brand, Finest, Wholefoods, Bakery & Kids), Healthy Living, Organic, Best Of British, World Foods, Cherokee, Free From, Tesco Christmas, Tesco's own clothing label – F+F to mention few

Other services – e. g. banking, insurance, savings to mention few.

UK structural change could spark a price war

Rising raw material costs from both food and non food will impact profit margins overall

International expansion

Economic restructuring

Intensified competition

Government regulation

UK and American markets have been affected by economic concerns through the “credit crunch”. Lower available income will impact and strategic focus may need to change to lower priced basic products with less focus on higher priced brands suggesting a switch in price architecture.

Sourcing changes to Far East locations with regards exporting restrictions on some non food product areas will reduce margin rates on products with already low margins.

Changes to consumer buying behaviours require further analysis – as technology develops consumer buying patterns change which will result in product areas requiring evaluation.

For TESCO there is a persistent threat of takeover from the market leader Wal-Mart who has both means and motive to pursue such action.

Lower available income will impact and strategic focus may need to change to lower priced basic products with less focus on higher priced brands suggesting a switch in price architecture.

Overconfident of Tesco management

Figure. 3. Tesco Micro and Macro-Environmental SWOT analysis

3. Tesco’s Strategic Options

3. 1. Generic Strategies

Generic Strategies are characterised by an individual retailer’s response to the industry structure. For a giant retailer, such as Tesco, to obtain a

sustainable competitive advantage they may have followed either one of three generic strategies, developed by Porter (1985).

The first strategy of cost leadership is one in which Tesco can strive to have the lowest costs in the industry and offer its products and services to a broad market at the lowest prices. This strategy will be based on the Tesco's ability to control their operating costs so well that they are able to price their products competitively and be able to generate high profit margins, thus having a significant competitive advantage.

Tesco used another strategy of differentiation that it has to try to offer services and products with unique features that customers' value; Tesco was able to create brand loyalty for their offerings, and thus, price inelasticity on the part of buyers. Tesco's breadths of product offerings, technology, special features, or customer service are popular approaches to differentiation

The last strategy of focus can be either a cost leadership or differentiation strategy aimed toward a narrow, focused market. In pursuing a cost leadership strategy Tesco focuses on the creation of internal efficiencies that will help them withstand external pressures. Therefore, it appears reasonable to think that Tesco will have frequent interactions with the governmental/regulatory and supplier sectors of the environment. In accordance to this framework, while both overall cost leadership and differentiation strategies are aimed at the broad market, Tesco may also choose to confine their product to specific market areas or may choose to offer a smaller line of products to the broad market, thus pursuing a strategy of focus or niche (Porter, 1980). In other words, Tesco pursues a strategy of

cost leadership or differentiation either in a specific market or with specific products.

3. 2. Core Competence and Corporate strategy

Superior performance, according to Johnson and Scholes (2003), has to be determined by the way in which company's resources are deployed to create competence in the organisational activities. Core competencies are activities or processes that critically underpin the company's competitive advantage. Core competences may be embedded deep in Tesco at an operational level in the work routines. The framework developed by Prahalad and Hamel in the 1990s suggests that over time companies may develop key areas of expertise which are distinctive to that company and critical to the company's long term growth (Drejer, 2000; De Toni, and Tonchia, 2003). In the case of Tesco the areas of expertise are most likely to develop in the critical, central areas of the organisation where the most value is added to its service and its delivery

The phrase used by Tesco to describe its aspiration to appeal to upper, medium and low income customers is "inclusive offer" in the same stores. Tesco pulled off an idea that other retailers were not aware. That appealed to all segments of the market".

One plank of this inclusively has been Tesco's use of its own-brand products, including the upmarket "Finest" and low-price "Value".

Tesco implemented CRM programme launched the Clubcard rewards program to gather necessary customer information, which it then used to cater to specific customer needs and potential wants. When shoppers signed

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up for the card, they automatically submitted their age, gender, and income. Tesco was able to segment their shoppers based on these factors. As soon as the shopper used the card when shopping online or in-store, purchased product information was automatically uploaded into Tesco database. Product information was used to cross-sell additional products and services such as grocery delivery services.

Beginning in 1997 when Terry Leahy took over as CEO, Tesco began marketing itself using the phrase “ The Tesco Way” to describe the company’s core purposes, values, principles, and goals This phrase became the standard marketing speak for Tesco as it expanded domestically and internationally under Leahy’s leadership, implying a shift by the company to focus on people, both customers and employees.

3. 3. Partnership with Tesco

Tesco respond to changes in marketing by partnering with other businesses; Tesco then added a travel service through a partnership with Lunn Poly, giving discounts off high-street prices.

It also combined its card with Visa through the Royal Bank of Scotland, and offered discounts on DIY goods through well-known home improvement chain B&Q.

In 1997 it added a full range of financial services, and the Tesco Direct service. Adding value was mandatory to these functional items so, for example, expectant mothers were given priority parking outside the store, changing facilities, and personal shopping assistants to help them.

In 1998, after the U. K.'s deregulation of utilities, Tesco began to offer electricity and telecommunications products and services. Also in that year, clothing was added to the range through Next.

By this time, Tesco had identified 108 customer market segments. This year, 2000, a joint undertaking with General Motors allows customers to buy cars from Tesco.

3. 4. Enhancing Quality

Everyday, top managers of Tesco stores gather for an hour-and-a-half customer advocacy meeting to pore over that week's performance statistics. "...a strategy which is concerned with changing the fundamental beliefs, values and culture of an organisation, harnessing the enthusiasm and participation of everyone.... towards an overall idea of "right first time"" by Atkinson and Naden (1989, pg 6). What makes this unusual is that every performance measure under scrutiny relates to customer satisfaction, and this meeting is the most important one on the corporate schedule. See Appendix 2 for On-Time-Delivery Tesco competitive strategy.

4. Industry Attractiveness

Inherent within the notion of strategy is the issue of competitiveness, analyzing industry attractiveness, and Porter's (1979) five forces model is used. The attractiveness of the retail industry depends on the situation of competition. The competition in the retail industry is based on its economic structure Porter's Five Forces Model implies that business are being influenced by five forces namely supplier power, threat of substitutes, buyer

power, barriers to entry and rivalry. This model also implies that business must be able to understand the industry context in which they operate.

4. 1. Porter five forces analysis:

A Porter's five forces analysis can complement other techniques, like a SWOT analysis. A SWOT analysis focuses on the company, while a Porter's five forces analysis looks at the external factors impacting on a company. Porter's five forces framework as shown in figure 4, helps identify the sources of competition in the retail sector, and as a way of assessing the attractiveness that profit Tesco's retails market. The underlying force in the macro-environment driven competitive forces are:-

The bargaining power of supplier

The bargaining power of buyers

The threat of potential new entrants

The threat of substitutes

The extent of competitive rivalry

The above five forces are not independent of each other, connection between competitive forces and the key driver in macro-environment is essential. Pressures from one direction can trigger off changes in another in a dynamic process of shifting sources of competition.

Industry

Competitors

Rivalry among

Existing firms

Potential

Entrants

Buyers

Suppliers

Substitutes

Bargaining power

of suppliers

Bargaining power

of buyers

Threat of

substitute products

or services

Threat of

new entrants

Figure 4, Porter's Five Forces Model

The objectives of such an analysis investigated how Tesco organisation formed its strategy in order to develop opportunities and protect itself against competition and other threats. This must be done in order to better design the strategy that the business will use to be able to compete with rivals within the same industry. It is important for businesses to determine the level of competition present within the industry. This will allow them to address potential risks before they even strike.

4. 2. Cost advantage and differentiation

According to Baker (1985), a business positions itself based on its strengths and strength are categorized into two – cost advantage and differentiation. Furthermore, when these strengths are applied in either a narrow or a broad sense, it will result to three generic strategies – focus, differentiation and cost leadership strategy.

Cost leadership strategy means that the company is the low cost producer or provider of a certain quality item in a given industry. This kind of strategy is being implemented for two reasons and achieved through two ways. The first method and reason is to sell items at average industry price so that the company will be able to be more profitable compared to rivals. The second method and reason is to sell the products at below average industry price in order to gain market share. According to Baker (1985), a company that has the ability to produce or offer less costly products will be able to remain profitable for a longer period. It is important to note that this strategy targets a broad market.

4. 3. BCG Matrix

Tesco can be considered as a cash cow because it distributes quality and extra services to its consumers and equipped with new innovative products and services in United Kingdom. At the same time the company can also be considered as Stars because they put a lot of efforts to increase the awareness of their consumers to the benefits of e-commerce and retailing

5. Market Objectives and Strategies Implementation

Strategy frameworks and structuring tools are keys to assessing the business situation. Risk and value trade-offs are made explicit, leading to concrete proposals to add value and reduce risk. Explicit plans for action, including effective planning need to be developed by Tesco as the strategic alternative. Piercy and Morgan (1990, pg. 2) state: " In short, the reality the marketing executive faces is that implementing plans and strategies successfully is often d