



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

COURSE SUBJECT

MARKETING IN PRACTICE

MODULE CODE

BMBM5024

LECTURER'S NAME

GWYNETH JONES

STUDENT NAME

FAATHIMAH AZZAHRAH BTE BACHO

ID NUMBER

2423910

TITLE

SITUATION ANALYSIS

COMPANY

TESCO

EXECUTIVE SUMMARY

This report is based on an assessment of the internal and external marketing environment for Tesco, using the SOSTAC marketing planning model as a basis, specifically using the situation analysis stage. This analysis includes several different perspectives, beginning with a consideration of the macro-environment using the PESTEL framework to look at the external marketing environment. In addition, an evaluation of the competitive structure of the industry and the potential return for the organization through the Porter's Five Forces framework and an examination of the organisation's internal marketing resources and capabilities using the VRIO model.

Market share data will show that Tesco operates in an extremely competitive environment within the UK grocery market. Through this, it can be seen that the economy is increasingly putting pressure on retailers through factors such as inflation, and that consumers are adapting their shopping behavior as a result.

Tesco is still the market leader although the retailer faces a host of problems. It has strong brands, supply chains and customer data from its Clubcard scheme. SWOT and TOWS analysis identify opportunities for Tesco to become more cost-efficient, more digital, and to use customer data for more targeted marketing.

TABLE OF CONTENT

1.0 INTRODUCTION.....	4
2.0 EXTERNAL ENVIRONMENT ANALYSIS	5
2.1 PESTEL ANALYSIS	6
2.2 Porter’s Five Forces	7
3.0 COMPETITIVE ENVIRONMENT.....	8
4.0 INTERNAL ANALYSIS : VRIO	9
5.0 SWOT AND TOWS ANALYSIS.....	10
5.1 SWOT Analysis	11
5.2 TOWS Analysis	11
6.0 CONCLUSION	12
7.0 REFERENCE LIST	13

1.0 INTRODUCTION

Marketing planning frameworks are crucial for ensuring that organisational marketing activity is focused on achieving strategic objectives and gaining competitive advantage in the longer term. This paper outlines one of the most commonly used marketing planning frameworks, SOSTAC developed by PR Smith. The model is presented in its six stage format : Situation, Objectives, Strategy, Tactics, Action, Control (Reed , 2014). Situation analysis is a critical component of the marketing planning process as it involves an analysis of the organisation's internal and external environment (Swan, 2022).

Tesco is one of the largest retailers in the world with over 100 years history. It was founded by Mr Jack Cohen in 1919 and has since grown to become the largest grocery retailer in the UK with 28.7% market share, as of December 2025 (Bedford, 2025). Tesco operates 2,979 stores in five countries, selling more than just groceries (Wikipedia Contributors, 2019). GlobalData (2024) states that Tesco offers financial services including Tesco Bank enables customers to take out insurance, bank accounts and even apply for a loan. Customers can also get the latest mobile phone deals at Tesco with the widest choice of handsets from all the major networks.

Fu (2024) highlights that although the high demand for Tesco's products sustains its dominance within the competitive retail market, well-established discount retailers as well as changes in customer needs and behaviours, increasingly pressurize the organisation to review the way it markets and price its products in order to survive in an escalating battle for customers in a market characterised by cut-throat competition. Further compounded by factors such as inflation, media giant Reuters (2024) asserted that Tesco was battling 'fiercest competition' in the retail sector. This report will proceed to examine and critique the internal and external marketing environment to highlight main issues encountered by the organisation, and to form a basis for strategic future directions.

2.0 EXTERNAL ANALYSIS

2.1 PESTEL ANALYSIS

A case study by Karadzhov and Patarchanova (2025) demonstrates that a PESTEL analysis is conducted to establish how these affect the organisation's performance as it is a part of the evaluation process of the macro-environment factors. For Tesco, these external factors significantly share strategic decisions.

a. Political Factors

Tesco has had to respond to a number of external factors driving change within its supply chain, most notably the impact of the Brexit decision and its subsequent implications on the costs, supply chain and decreased labor availability. Tesco is required to adapt in depth at the current market landscape and the dynamics at play influencing future sourcing strategies (Powell and Hutton, 2021).

b. Economics Factors

One of the biggest challenges for Tesco will be the economics factors. With rising inflation and the increasing 'cost of living' crisis, consumer tolerance for prices is likely to decrease (IBISWorld, 2014). As mentioned in an article by Farrell (2024), many UK consumers moving to *value* retailers such as Aldi and Lidl, pressure will be on for Tesco to ensure they are offering cheaper prices to customers whilst at the same time not losing too much margin.

c. Social Factors

Revolution in the social landscape including changing attitudes and patterns of social interaction, urbanisation and a greater awareness of environmental issues such as climate change. Consumer trends including increasing numbers of consumers looking to lead a healthier lifestyle, purchasing organic and ethically sourced products. Convenience, the shop on the door, the importance of the online channel, especially following the COVID-19 pandemic. Tesco will look to capitalise on these trends through its premium products as well as an increased focus on healthy food, according to new data from Mintel.

d. Technological Factors

Change to the environment created by technological factors has impacted upon the way in which grocery retailers undertake business (Chaffey and Chadwick, 2019). Online e-commerce websites and digital platforms have become increasingly important in recent years, for instance, Tesco utilizes online grocery shopping services and mobile applications to engage with its customers.

e. Environmental factors

Sustainability is an important environmental issue affecting all sorts of factors in the retail industry including carbon emissions and use of plastic packaging. As a leading retailer Tesco has made commitments to improve its sustainability which can add value to a brand but also costs to its operation (TESCO, 2025).

f. Legal factors

Tesco PLC (2021a) states the company has implemented legal factors such as food safety legislation, employment laws and anti-competition legislation indicates that whilst adherence to these factors is essential, it raises cost, in terms of both money and lost flexibility, in the food industry.

2.2 PORTER'S FIVE FORCES

The Porter's Five Forces model is often used to assess the level of competitiveness in an industry. Named after Harvard professor Michael E. Porter, the model looks at five different perspectives that together give a picture of the competitive dynamics at play in a particular industry (Goyal, 2020).

a. Threat of new entrants

The threat of new entrants is **low**, because the Britain's grocery market dominated by Tesco, Asda, Sainsbury's and Safeway that possess a market share of 70%. According to Miller (2019), for 30 years the grocery market has been dominated by large supermarkets with their efficiency, one – stop shopping experience and outstanding marketing campaigns which have driven small retail shops out of business and has raised high barriers to entry for new operators.

b. Bargaining power of suppliers

Large supermarket chains possess supplier power in the grocery market which means known companies like Tesco and Asda are able to push for lower prices due to retailers dependence on them. The nature of the supermarket power dynamic restricts the amount of strategic decisions that retailers and suppliers can make and often results in below-incremental profit for both parties (Miller, 2019).

c. Bargaining power of buyers

Big supermarket chains influence supplier power since suppliers rely upon them and in fear of losing business, which gives retailers like Tesco and Asda more negotiating a greater chance to get cheaper pricing. This decreases strategic flexibility and lowers profit margins for suppliers and supermarkets alike, especially when combined with the ability to source less expensive goods elsewhere (Miller, 2019)

d. Threat of substitute products or services

The threat of substitutes is **high**. Consumers may decide to purchase from local shops, opt for delivery or online shopping from other retailers, or select alternatives within the food offer such as takeaway or convenience goods for sale. Data from Statista (2024), stated that the demand for online delivery shopping has increased becoming a matured market and has stabilized into a hybrid model, where consumers prefer combine in-store and shopping online.

e. Rivalry among existing competitors

The UK grocery market is **highly** crowded with major players “Big Four” chains (Sainsbury’s, Asda, Tesco and Morrisons) as well as discount retailers Aldi and Lidl, all vying for market share. Price battles are a feature of a crowded market driving minimal margins (IBISWorld, 2014). Implementing the price-matching schemes and loyalty rewards like Clubcard, Asda rewards in retaining shoppers (Butler, 2024).

Tesco is not in a position to sustain higher prices because of high competition and powerful buyers, and it is therefore important for the company to be cost efficient and offer value to customers.

3.0 COMPETITIVE ENVIRONMENT

Tesco face tough competition in all of the markets and variety of competitors with very different models.

The German grocers Aldi and Lidl, operate on a cost leadership strategy based on low prices generated by efficient operations and a narrow range of product lines. The two stores have been growing rapidly and attracting large numbers of price-conscious customers (Webb, 2024). As a result, intense competition has been generated in the market place which is placing significant pressure on Tesco's sales and market share. Whereby, Sainsbury's focuses on quality and product differences and Asda differs by focusing on value (J Sainsbury plc, 2025).

Tesco is taking a hybrid approach to grocery retailing with competitive prices across the board combined with extensive product range and a strong loyalty scheme in the form of the Tesco Clubcard which tailored offers to its customers and is a key driver of customer loyalty. A series of targeted price cuts and promotions have also helped Tesco to retain market share (Reuters, 2024).

Tesco still holds the largest market share, however the rise of the discount retailers has created a highly competitive market driven by price, demanding sustained review of pricing and promotional activity as well as innovation in customer engagement.

4.0 INTERNAL ANALYSIS : VRIO

Barney (1991) proposes the VRIO framework to evaluate whether organisational resources and capabilities generate a competitive advantage and, importantly, whether the competitive advantage is sustainable (Cardeal and Antonio, 2019).

a. Value

Tesco's Annual Report (2024) highlights that their key resources are very valuable and include its well-known brand name, customer data system, Clubcard and supply chain. The Clubcard allows Tesco to deliver personal marketing campaigns and respond quickly to changes in consumer behaviour. The supply chain provides availability of products at the right price, therefore supporting customer satisfaction and retailing competitiveness in an increasingly price sensitive environment.

b. Rare

Yes, Tesco has a unique understanding of consumer behavior thanks to its vast customer data from the Clubcard program, which is rather uncommon. On the other hand, rivals like Sainsbury's and Asda share operational resources including supply chain systems and retail networks (Tesco plc, 2024). In results, Tesco's USP (unique selling point) is its data capabilities, unmatched convenience, extensive product range and value.

c. Inimitability

Yes, given that the data systems and brand reputations are so hard to copy because they have been built over many years based on a lot of customer trust and insights, the focus for competitors should be on the things that they can copy, such as the logistics, and the layout of the stores. The customer data and brand equity provide Tesco with its strongest source of sustained competitive advantage (UKEssays, 2018).

d. Organized

Tesco is a highly organized, hierarchical multinational retailer, serving to maximize the potential of the resources it has. The use of Clubcard data in developing marketing strategies enables the company to create pricing and promotion opportunities and targeted marketing campaigns for customers. The company's organisation and technology systems are also proficient at supporting the end-to-end supply chain and facilitating digital activities (Tesco plc, 2024).

5.0 SWOT AND TOWS ANALYSIS

5.1 SWOT Analysis

A SWOT analysis assesses an organization's external (macro) opportunities and threats as well as its internal (micro) strengths and weaknesses (Sammut-Bonnici and Galea, 2015).

a. Strength

Tesco retains the leadership position in the UK grocery market with its strong brand equity. Additionally, the retailer is able to utilize rich customer data generated by its Clubcard (Butler, 2026).

b. Weakness

Tesco's profit margins are overburdened and its prices are perceived as being higher than those of cheaper stores (Butler, 2024). Additionally, Tesco's mobile app has gained attention with the lack of technical reliability and user experience (McMahon, 2025).

c. Opportunities

Tesco can enhance more on the growth of online grocery shopping - optimized performance and increasing demand for sustainable and healthy products (Kivilahti, 2024).

d. Threats

Intense competition from growing discount operators like Aldi and Lidl (Webb, 2024). Furthermore, the worries of economic uncertainty and rising inflation is also a big threat towards the business.

5.2 TOWS Analysis

By comparing internal strengths and weaknesses with external opportunities and threats to create actionable plans, the TOWS analysis is a strategic planning tool that expands on SWOT analysis. In order to develop tactics that maximize positives and reduce negatives, it focuses on four important quadrants (SO, ST, WO and WT) (University of Hertfordshire, 2022).

a. SO Strategies (Strength & Opportunities)

Tesco could use its strong brand image, together with a deep analytical understanding of customer buying habits, to deliver more personalised marketing efforts and enhance customer loyalty.

b. WO Strategies (Weakness & Opportunities)

Tesco needs to become more cost efficient and improve its pricing in order to compete with the growing number of discount retailers.

c. ST Strategies (Strength & Threats)

Tesco should use its size and brand positioning to maintain its position as the largest retailer and defend against competition.

d. WT Strategies (Weakness & Threats)

Tesco needs to give maintained interest to focus on cost control and operational efficiency given the continued difficult economic environment.

TOWS analysis showed that Tesco must address the issue of pricing while striving to remain cost competitive. Maintaining low prices while being significantly different from rivals is critical to remaining competitive (UKESSAYS, 2018). This will require Tesco to utilize its strength more effectively.

6.0 CONCLUSION

This report provides a situation analysis of Tesco by carrying out an assessment of both the external and internal marketing environment using established strategic marketing models. The findings highlight a highly competitive and changing market for the UK grocery market with intense price competition, changes in consumer behaviors and external factors such as inflation and the current cost-of-living crisis. Notwithstanding these factors, Tesco retains its market leadership based upon brand equity, scale of operations, and effective use of customer data.

The internal analysis sets out the core resources that Tesco currently utilizes to deliver competitive advantages. The Clubcard data system and the strengths of the supply chain have contributed to sustaining share in a competitive market. However, these strengths need to be harnessed more in order to overcome the pressures on margins and the negative perceptions of price. The SWOT and TOWS matrices set out the key factors for long-term competitiveness at Tesco including balancing the cost to serve with brand and product differentiation, and the development of digital technology to delivery personalized marketing together with improved operational efficiency.

The analysis highlights the need for Tesco to maintain its market leadership by taking a more strategically integrated approach that combines cost leadership with customer-focused innovation. In the face of growing competition, not doing enough will see Tesco lose share. Therefore, Tesco must continue to make strategic adjustments that are driven by data and operational efficiency.

7.0 REFERENCE LIST

- Long, S., Jacques, D. and Kepos, P. (eds.) (2022) '*Tesco plc*', in *International Directory of Company Histories*, vol. 240. Farmington Hills, MI: St. James Press. Available at: <https://link.gale.com/apps/doc/I2501326625/GBIB?u=walamp&sid=bookmark-GBIB&xid=56001d37> (Accessed: 15 March 2026)
- 'Tesco PLC' (2022) *Notable Corporate Chronologies Online*. Gale. Available at: <https://link.gale.com/apps/doc/I2501151660/GBIB?u=walamp&sid=bookmark-GBIB&xid=5d08d750> (Accessed: 15 March 2026).
- Bedford, E. (2025). *Tesco PLC - statistics & facts*. [online] Statista. Available at: <https://www.statista.com/topics/3807/tesco-plc/#topicOverview>.
- Butler, S. (2024). Tesco sits at the top of the food chain but rivals are growing peckish. *The Guardian*. [online] 6 Apr. Available at: <https://www.theguardian.com/business/2024/apr/06/tesco-sits-at-the-top-of-the-food-chain-but-rivals-are-growing-peckish>.
- Butler, S. (2026). *Tesco aiming for bumper 2026 after best Christmas market share in decade*. [online] the Guardian. Available at: <https://www.theguardian.com/business/2026/jan/08/tesco-best-christmas-market-share-in-decade>.
- Cardeal, N. and Antonio, N.S. (2019). *Valuable, Rare, Inimitable Resources and Organization (VRIO) Resources or Valuable, Rare, Inimitable Resources (VRI) Capabilities: What Leads to Competitive Advantage?* [online] Ssrn.com. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2347978.
- Chaffey, D. and Chadwick, F.E. (2019). *Digital Marketing: Strategy, Implementation and Practice*. 7th ed. Pearson UK.
- Davey, J. (2024). *UK's Tesco forecasts profit rise as consumer sentiment improves*. [online] Reuters. Available at: <https://www.reuters.com/world/uk/britains-tesco-expects-profit-rise-202425-year-2024-04-10/>.

- Farrell, S. (2024). *Tesco still Britain's favourite, but competition is ramping up*. [online] The Grocer. Available at: <https://www.thegrocer.co.uk/analysis-and-features/tesco-still-britains-favourite-but-competition-is-ramping-up/693085.article>.
- Fu, R. (2024). Analysis of Business Operation Mode and Marketing Strategy of British Mainstream Supermarket: Case study of Tesco. *Journal of Education Humanities and Social Sciences*, 43(1), pp.279–285. doi:<https://doi.org/10.54097/895tzt69>.
- Global Data (2024). *TESCO Company Profile*. [online] GlobalData. Available at: <https://www.globaldata.com/company-profile/tesco-plc/>.
- Goyal, A. (2020). *A Critical Analysis of Porter's 5 Forces Model of Competitive Advantage*. [online] Journal of Emerging Technologies and Innovative Research. Available at: https://www.researchgate.net/publication/348550277_A_Critical_Analysis_of_Porter.
- IBISWorld (2014). *Grocery Markets in the UK - Market Research Report (2014-2029)*. [online] Ibisworld.com. Available at: <https://www.ibisworld.com/united-kingdom/industry/grocery-markets/3110/>.
- J Sainsbury plc (2025). *Our strategy*. [online] J Sainsbury Plc. Available at: <https://corporate.sainsburys.co.uk/about-us/our-strategy/>.
- Karadzhov, V. and Patarchanova, E. (2025). *INTERNATIONAL JOURNAL OF*. [online] Available at: <https://ijdr.net/wp-content/uploads/2025/11/Vol-1-Issue-3-Whole-Issue.pdf#page=8>
[Accessed 13 Nov. 2025].
- kivilahti, arhi (2024). *Online grocery driving growth for Tesco in the UK*. [online] Ada Insights. Available at: <https://adainsights.com/blog/online-grocery-driving-growth-for-tesco-in-the-uk>.
- McMahon, L. (2025). Tesco resolves 'software issue' after customers flag app problems. *BBC News*. [online] 16 May. Available at: <https://www.bbc.co.uk/news/articles/c8re57856jmo>.
- Miller, D. (2019). *Tesco: SWOT, PESTEL, Porter's 5 forces and Value Chain*. [online] IvoryResearch.com - VIP Essay & Dissertation Writing Service. Available at: <https://www.ivoryresearch.com/samples/economics-essay-example-strategic-management-of->

[tesco-supermarket-pestle-analysis-porter-5-forces-analysis-critical-success-factors-swot-analysis-value-chain-analysis-tesco-strategic-options-core-comp/](#).

Mintel Group Limited (2025). *UK Supermarkets Market Report 2024-2029* | Mintel. [online] Mintel Store. Available at: <https://store.mintel.com/report/uk-supermarkets-market-report-2024>.

Powell, A. and Hutton, G. (2021). UK supply chain problems. *commonslibrary.parliament.uk*, [online] 1(1). Available at: <https://commonslibrary.parliament.uk/research-briefings/cbp-9350/>.

Reed , D. (2014). SOSTAC: the Guide to the Perfect Digital Marketing Plan. *Journal of Direct, Data and Digital Marketing Practice*, [online] 16(2), pp.146–147.
doi:<https://doi.org/10.1057/dddmp.2014.79>.

Sammut-Bonnici, T. and Galea, D. (2015). SWOT Analysis. *Wiley Encyclopedia of Management*, [online] 12(1), pp.1–8. doi:<https://doi.org/10.1002/9781118785317.wcom120103>.

Statista (2024). *Topic: Online grocery shopping in the United Kingdom (UK)*. [online] www.statista.com. Available at: <https://www.statista.com/topics/3144/online-grocery-shopping-in-the-united-kingdom/>.

Swan, S. (2022). *How to use the SOSTAC® planning model and the RACE Framework*. [online] Smart Insights. Available at: <https://www.smartinsights.com/digital-marketing-strategy/sostac-plan-example/>.

TESCO (2025). *Planet*. [online] origin.tescopl.com. Available at: <https://www.tescopl.com/sustainability/planet>.

Tesco PLC (2021a). *Our Code of Business Conduct. Contents*. [online] Available at: https://www.tescopl.com/media/757929/tesco-cobc_sept-2021.pdf.

Tesco PLC (2021b). *Serving Communities a Little Better Every Day – an Economic and Social Impact Report for Tesco*. [online] <https://tescoimpactreport.publicfirst.co.uk/>. Available at: <https://tescoimpactreport.publicfirst.co.uk/>.

Tesco Plc (2024). *Our History*. [online] Tesco PLC. Available at:

<https://www.tescoplac.com/about/our-history>.

Tesco plc (2024). *Tesco PLC Annual Report and Financial Statements 2024*. [online] pp.1–240.

Available at: https://www.tescoplac.com/media/zgvhd0dn/tescos_ar24.pdf.

UKESSAYS (2018). *How Tesco Compete in a Highly Competitive Environment*. [online]

UKEssays.com. Available at: <https://www.ukessays.com/essays/marketing/how-tesco-compete-in-highly-competitive-environment-marketing-essay.php>.

University of Hertfordshire (2022). *An introduction to the TOWS analysis*. [online] *University of Hertfordshire*. Available at: [https://www.herts.ac.uk/_data/assets/pdf_file/0007/290482/An-](https://www.herts.ac.uk/_data/assets/pdf_file/0007/290482/An-introduction-to-the-TOWS-analysis.pdf)

[introduction-to-the-TOWS-analysis.pdf](https://www.herts.ac.uk/_data/assets/pdf_file/0007/290482/An-introduction-to-the-TOWS-analysis.pdf).

Webb, C. (2024). *Aldi vs Lidl: which is the better discount supermarket?* [online] Which?

Available at: <https://www.which.co.uk/news/article/aldi-vs-lidl-which-is-the-best-discount-supermarket-a50gb6E8BsMT>.

Wikipedia Contributors (2019). *Tesco*. [online] Wikipedia. Available at:

<https://en.wikipedia.org/wiki/Tesco>.

Tesco plc, in Long, S., Jacques, D. and Kepos, P.(eds) *International directory of company histories*. St. James Press, .

Ferrell, O.C. (1999) *Marketing strategy*. Dryden Press.