



LCMB7024

Marketing Management

Assessment 1- Marketing Environment Analysis

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1. Introduction

The strategic marketing management has become more crucial to the companies competing in the fast-moving and technology-intensive markets. This report aims at critically looking at the responses of organisations to the change in the macro-marketing environment as a strategic response with special reference to Ocado which is an innovative online only grocery retailer and Tesco as a late-mover that adopted online and automated systems. The report seeks to analyse the role played by macro-environmental forces in determining the opportunities, threats and strategic responses in the UK grocery retail industry.

The macro-marketing environment should be analysed since external forces, such as technological change, socio-economic changes and regulations, affect the behaviour of consumers, operational effectiveness and future competitive benefit. Knowledge of these forces assists organisations to be proactive to change so that they remain relevant and develop robust marketing strategies. The environmental scanning helps in enhancing the market position of both followers and pioneers as well as in the informed making of decisions.

The report has been systematised into four sections. The former task consists of a critical reflection of the macro-marketing environment, based on the established strategic frameworks and focusing on two significant external actors. The second activity looks at how innovator and imitators react strategically to external opportunities through the models like the Matrix and Generic Strategies developed by Ansoff and Porter respectively. The last part offers a conclusion where the main findings are recapped and their strategic implications to marketing management suggested.



Figure: Pioneer- Ocado (Kotler et al., 2021).



Figure: Follower -Tesco (Baker and Saren, 2019).

2. Task 1: Macro marketing environment critical assessment

2.1 Overview of the Macro Marketing Environment

The macro-marketing environment involves a review of the macro environmental conditions of the region in which the company aims to establish itself.

Macro marketing environment considers the wide external forces that drive the strategic and marketing decisions of an organisation. These forces are beyond the direct manipulation of firms but have significant impact on consumer demand, operating capacity as well as overall competitiveness. A common frame of analysing these influences is the PESTEL framework, which includes Political, Economic, Social, Technological, Environmental, and Legal influences (Kotler et al., 2021).

Prevent strategic business: In highly competitive and dynamic industries like grocery stores, the macro environment unit of analysis helps firms to learn to adapt in advance and prevent strategic business lapses. The emergence of digital trade, demographic shifts, environmental issues and regulatory shifts are transforming the way retailers generate value and differentiate in the market (Baker and Saren, 2019).

Making competition tougher: The macro environment in the UK grocery industry has been making competition tougher as it has increased the rate of national grocery online adoption, sustainable pressures and organisations re-examine their logistics and supply-chain practises. This highlights the importance of the ongoing environmental scanning to make sure that strategic alignment remains long-term.

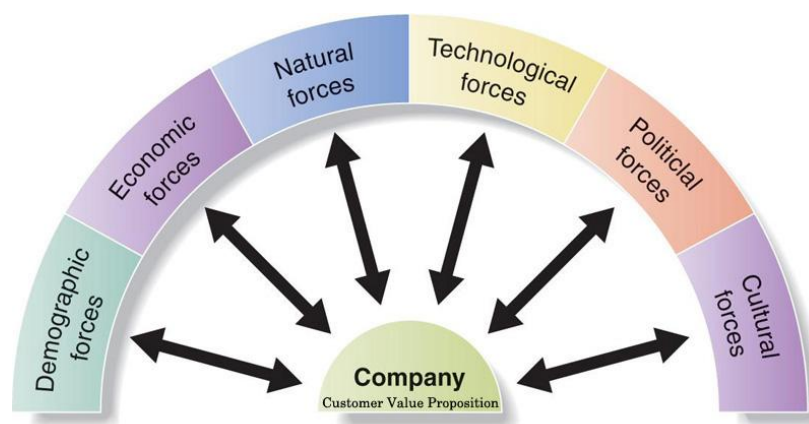


Figure: Macro environment (Retail Economics, 2023).

2.2 Selection of Two External Macro Marketing Actors

Some of the macro-environmental players that are of significant interest to the grocery retail business include:

1. Technological Factors
2. Environmental/Sustainability Factors

Reasons why Technological Factors were selected

The technological change has transformed the grocery retail radically by automation and robotics, AI-powered logistics solutions, and online shopping platforms. Thanks to its innovation and as an industry pioneer, Ocado could use sophisticated algorithmic fulfilment models, automated warehouses, and advanced robotics to develop an original fulfilment model (Smith, 2020). In the meantime, other followers with comparable technologies like Tesco have been slow to integrate the same technology and are less automated (Retail Economics, 2023). This is a very relevant factor since the pace and quality of technology uptake has an impact on the efficiency of operations and the experience of the customers.



Figure: Technological Factors (DEFRA, 2022).

Reason behind the choice of Environmental/Sustainability Factors.

The food retail strategies are also being transformed by the environmental pressures such as climate change, waste management policies and sustainability demands. The UK government has tightened environmental policies and consumers want greener practises largely (DEFRA, 2022). First movers and second movers need to change approaches regarding packaging, energy consumption and supply chain sustainable. Due to the extensive environmental impact of the food industry, sustainability is an important trend that has a lot to do with the marketing, branding and operational choices.

2.3 Critical Evaluation of every Actor.

A. Technological Factors

Groceries retail has become transformed in general by the use of technology to provide effective operation, low labour expenses, and better customer convenience. In the case of innovators like Ocado, technology forms part of the business model. Ocado developed automated warehouses based on robotics that may handle thousands of orders in an hour and has an advanced online-only business model (Oliver Wyman, 2021). These technologies are strategic differentiators that pose competitive barriers to the entry of the traditional retailers.

Technological adoption in such follower organisations like Tesco has been incremental. In the case of Tesco, automated picking systems and hybrid fulfilment centres were only introduced after the pioneers recorded success (Intel, 2020). This brings opportunities to the cost reduction and better customer satisfaction but also discloses the threats including reliance on the external sources of technology or the possibility of adopting the old technology systems.

Strategic threats and opportunities of pioneers.

To first-movers, it provides first-mover benefits, increased productivity, and data marketing advantage because of the pace of automation and artificial intelligence integration. Nonetheless, the rapid obsolescence and cybersecurity concerns are a major threat because the intensity of capital is high (EY, 2023). To maintain the technological advantage, Ocado has to invest in the innovation continuously.

These are strategic Opportunities and Threats to the follower.

To its followers such as Tesco, technological trends also offer an opportunity to bridge the gap by adopting proven and cost-effective innovations. Nonetheless, the risk of lagging behind is still present when they are unable to keep up with the innovative technological advancement or are not internally able (KPMG, 2022). The followers have also a problem of having to adapt new technology to older systems that is not always efficient.

B. Sustainability and Environmental Facts.

Groceries are a sector whose strategic decisions have been influenced by environmental issues. The problems of greenhouse gas emission, food waste, plastic waste and sustainable sourcing are making an impact on consumer demands and regulatory environments. The aim of the UK of having net-zero emissions by 2050 has increased the pressure on retailers to become greener (National Audit Office, 2021).

Impact on Pioneers (Ocado)

Ocado has the advantage to operate online-only and do not have to worry about the high physical stores that demand high levels of energy use and retail activity as they emit greenhouse gases into the atmosphere (IGD, 2021). Nevertheless, the problem of delivery logistics and packaging waste is also considerable in terms of the environment. The opportunities consist of utilising electric delivery trucks, using biodegradable packaging and energy-efficient warehouses.

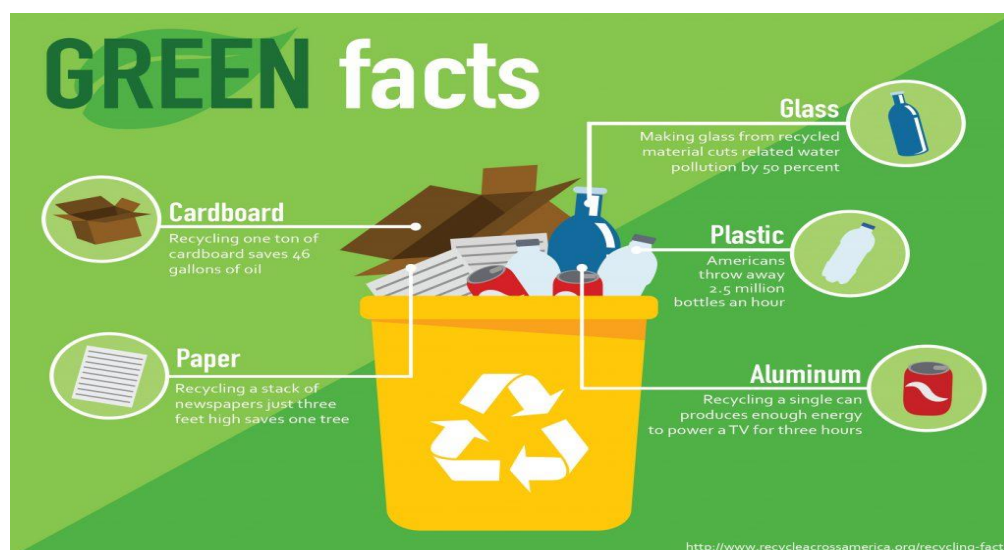


Figure: Environmental Facts (Baker and Saren, 2019).

Impact on Followers (Tesco)

As a big physical outlet, Tesco is exposed to more environmental pressures since it has many networks of stores and consumes more energy. Nonetheless, it has put money into food waste consideration, enhanced recycling and launched sustainable packaging programmes (Tesco PLC, 2022). It has the opportunities of exploiting its size to institute sustainable impactful programmes. However, such threats are regulatory fines, reputational risks and cost escalation against sustainable transformation.

Implications on the Strategies of the two firms.

Leaders and followers need to entail the inclusion of environmental objectives in their marketing strategies. Consumers are making decisions on products that are sustainable, and this is affecting brand loyalty as well as competitive positioning. Ocado and Tesco need to balance the environmental commitments and cost efficiency and this would entail long term strategic planning and cross-functional working.

3. Task 2: Strategic Responses of Pioneer and Follower Organisations

3.1 Pioneering Strategic Responses of Organisations (Ocado)

Pioneering organisations are generally reactive to macro-environmental dilemmas by means of the innovation-driven aggressive action. The fundamental workflow of Ocado relies on the technological integration to the point that the company can leverage strategic frameworks of the Matrix of the Ansoff and the Generic Strategies developed by Porter to gain a competitive advantage.

Using Ansoff's Growth Matrix

1. Market Penetration

Ocado refines market penetration with the help of a specific approach to digital marketing, AI-based personalisation and promotion that stimulates a repeat-buy (Deloitte, 2022). The company uses customer data patterns to optimise customer offers, improve user experience and raise customer lifetime value. The strategies will enable closer brand loyalty and sustainability in the market despite the growing competition in the online grocery industry.

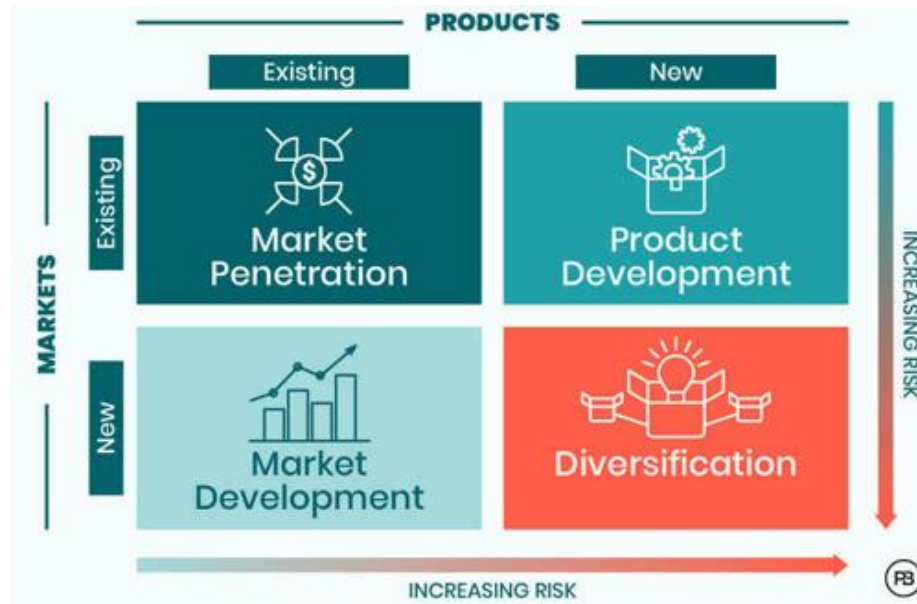


Figure: Ansoff's Growth Matrix (Grant, 2019).

2. Product Development

Ocado invests intensely in innovation of technology-based products and solutions, including automated fulfilment, frictionless user interfaces and speedy delivery structures. These innovations are the products of the technological macro environment opportunities and they can be used to meet the speed, convenience and reliability consumer expectations. Ocado keeps its systems between automation up-to-date, thus keeping their differentiation and operational excellence.

3. Market Development

The company has also collaborated with some of the world's biggest retailers (such as in the USA with Kroger) to sell its own Ocado Smart Platform (OSP). This plan lowers the reliance on the market within the UK and broadens the reach of the technological power of Ocado globally. Market development is especially significant because the macro-environment grows more competitive, whereas the process of digital transformation becomes increasingly faster throughout the world (Grant, 2019).

4. Diversification

The ability to pursue a line of diversification of technology licencing and robotics engineering is indicative of adaptive strategic thoughts in Ocado. The company does not resort to only the grocery delivery business, but it ventures into the type of business of B2B technologies, exposing itself to the risks. This strategy is essential when depending on one market is subject to changes in the economic circumstances or changing consumer patterns.

Utilising the Generic Strategies of Porter.

Differentiation can also be seen through the fact that Ocado has continued to invest in proprietary technologies, high service quality and unmatched operational efficiency (Grant, 2019). The concept of differentiation makes Ocado offer the higher level of convenience than the competition and achieve the customers who appreciate high-quality service. The strategic positioning can be explained by the use of fast fulfilment by the company, precise picking and optimistic digital interface. In addition, Ocado employs focused differentiation strategy and aims at tech-savvy individuals and collaborations with international retailers that need sophisticated automation services.



Figure: Generic Strategies of Porter (Baker and Saren, 2019).

Respond Customization to Environmental and Technological Forces.

Ocado is still leading the technological evolution. A further approach that the company will implement is the refurbishment of robots, the increase of automation of the warehouse and the incorporation of digital twins to simulate and optimise. These technologies also take care of macro challenge of increased customer expectations of speed reliability.

Ocado has a response in environmental terms under the form of sustainable packaging, renewable energy investments and low-emission vehicles. With the increasing environmental regulations, the measures help implement them and enhance its sustainability brand image. Combining environmental interests and technology development, Ocado becomes a responsible and inventive leader (Grant, 2019).

3.2 The Strategic Responses of Follower Organisations (Tesco).

Follower's organisations are more inclined to take very reactive and adaptive approaches, mimicking the innovators and bringing the strengths of their organisational structure including scale, brand power and pre-existing customer bases.

IGOR ANSOFF MATRIX – Growth of TESCO 

PROD UCT	MKT	
	EXISTING	NEW
EXIST	MARKET PENETRATION •Increase in share of grocery business at the expense of Sainsbury	MARKET DEVELOPMENT •Move into convenience store market •Expansion abroad
NEW	NEW PRODUCT DEVELOPMENT •Expansion into Petrol Sales •Development of financial services	DIVERSIFICATION •High Risk

Figure: Tesco Ansoff's Growth Matrix (Barney & Hesterly, 2019).

Using Ansoff's Growth Matrix

1. Market Penetration

Tesco has comprehensive loyalty programmes, fierce prices and online offers to preserve market share. Personalised app offers, Clubcard Prices increase customer engagement and assist Tesco to react to economic pressures and increasing competition (PwC, 2021). Penetration of the markets is vital as the competition becomes tougher due to the arrival of discounter competition and internet professionals.

2. Product Development

Tesco has also expanded its services through launching Tesco Whoosh (delivering in a short time), hybrid fulfilment centres and improved online platforms. These developments exhibit how the followers react to technological changes that have been initiated by pioneers. The capability of Tesco to enhance the digital interfaces, to increase the number of its own label products, and to develop the quality of the service services facilitates the competitiveness of the company.

3. Market Development

By building and enhancing international digital services and dominance in online markets in the UK, Tesco uses the brand equity to attract more customer groups. Whereas the past physical expansions in Asia had been both successful and unsuccessful, online expansion minimises risks in operations in addition to matching global trends in online commerce (PwC, 2021).

4. Diversification

The following examples of diversification strategies are Tesco Bank, Tesco Mobile and third parties service provider's partnerships. Such undertakings expand cash flows, decrease dependence on grocery stores and react to macro-environment economic factors of pressure. Diversification is also conducive to resilience in the long run in the face of market fluctuations.

Utilising the Generic Strategies of Porter.

The cost leadership strategy is still prevailing in Tesco, which is attained via economies of scale, optimization of supply chains and prices (Barney & Hesterly, 2019). This plan targets the cost-sensitive buyers, particularly in such times of economic unpredictability. This strategy is directly affected by the macro economy through inflation and the uneven purchasing power of the consumers that determines the typical pricing strategies of Tesco. In addition to the cost leadership, Tesco embraces the selective differentiation as manifested in its high quality own label like Finest.

Respond Customization to Environmental and Technological Forces.

Being a follower, Tesco embraces tested technologies with confirmed validity by innovators, accelerating minimise risks involved in innovation. It has launched automated warehouses, enhanced inventory forecasting and invested in robotics at in store and back-end operations. These improvements positively affect operational effectiveness and assist Tesco in bridging the technological divide between the company and such firms as Ocado. Sustainable practises that have been introduced to Tesco due to environmental pressure include carbon-reduction programmes, less use of plastics and improved recycling (Johnson et al., 2020)-

4. Conclusion

This report has addressed the strategic importance of the macro-environmental analysis in the management of marketing taking Ocado as an innovator and Tesco as a follower organisation as a point case. In the case of innovators like Ocado, technology forms part of the business model. Ocado developed automated warehouses based on robotics that may handle thousands of orders in an hour and has an advanced online-only business model. Tesco as followers embrace the concept of adaptation, incorporating established technologies, cost-leadership strategy and sustainability efforts that enable them to stay competitive. The level of strategic response of the two types of organisations underscore the relevance of environmental scanning especially in fast-paced industries that are under digital disruption impacts and sustainability pressures. Strategic marketing management requires future forecasting of trend, taking note of market drivers and their capacity to match alignment with external requirements. Regardless of differentiation or cost-leadership, pioneer and follower organisations should constantly evolve in order to live and prosper within a complex macro environment.

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