

TITLE: EVALUATION OF BUSINESS ENVIRONMENT

Name: Nikol Stoyanova

Course Title: Global Business Environment

Lecturer: Olusoyi Ashaye

Date: 13.08.22.



University of Wales
Trinity Saint David
LONDON

INTRODUCTION

- Tesco PLC
- UK largest retailer
- It sells groceries and general merchandise
- It operates stores in Europe and Asia
- Uses e-commerce in international markets

TARGET MARKET

- South Africa is developing country
- Population- 60 million
- It presents a competitive market for multinational retailers
- It is a stable democracy with capitalist economy

PESTLE Analysis

- Political Analysis
 - South Africa is a relatively young and stable democracy
 - Bribery and corruption is a significant barrier to business
 - The government is committed to combating corruption
- Economic Analysis
 - GDP growth 3.6% in 2021
 - The country aims to implement the African Continental Free Trade Agreement (AfCFTA) by 2040
 - AfCFTA to increase GDP to \$44 billion
 - South Africa uses the South African Rand (very volatile currency)

PESTLE Analysis

- Social Analysis
 - Racism remains a significant issue in South Africa
 - Cultural traditions are highly regarded
 - Social ties are crucial and influence consumer patterns
- Technological Analysis
 - ICT industry is very significant in South Africa
 - South Africa is a leader in ICT I Africa
 - The government is committed to enhancing ICT in the future

PESTLE ANALYSIS

- Legal Analysis
 - Broad-Based Black Economic Empowerment Act (2014) ensures that businesses empower historically discriminated racial groups
 - Competition Amendment Act (2018) protects SMEs from unhealthy competition
 - Businesses must abide by privacy laws (POPIA)
- Environmental Analysis
 - Climate change is a major concern in South Africa
 - There are no major environmental risks for multinational business in South Africa

PORTER'S FIVE FORCES

- **Threat of New Entrants**

- South Africa encourages large retailers to set up shop in the country
- Only large corporations can compete with existing e-commerce retailers in South Africa
- Huge amounts of capital are required

- **Threat of Substitutes**

- The threat is high
- Large retailers such as Shop Rite, Pick n Pay, Spar, Woolworth and Walmart's Cambridge Foods are significant threats to Tesco

- **Rivalry Among Competitors**

- The rivalry is high

PORTER'S FIVE FORCES

- Supplier Power
- Suppliers have a strong negotiating power
- Establishing strong and reliable relationships is necessary for Tesco
- Buyer's Power
- Buyers also have strong negotiating power
- Tesco expand to counter the power
- It may also join hands with other large retailers

HOFSTEDE'S CULTURAL DIMENSIONS

- The country has low score on power distance (49)
- High individualism(65)
- High masculinity (63)
- Low uncertainty avoidance index (44)
- Low score long term orientation (34)

OPPORTUNITIES AND CHALLENGES

- Opportunities
 - Lower operation costs
 - Access to a bigger market
 - Access to a larger talent pool
- Challenges
 - Distance
 - Cultural differences
 - The volatile currency

BARRIERS TO TRADE AND SUCCESS STRATEGIES

- **Barriers to Trade**
- Tariffs
- Non-tariff barriers
 - Import quotas, embargoes, and exchange controls
- Success strategies
- Prioritizing customer experiences
- Tailoring products and services to customer needs and hiring experts to lead their operations based on existing market conditions

CONCLUSION

- Opportunities in South Africa include lower operation costs and access to a bigger market
- Challenges include distance and cultural differences
- Prioritizing customer experiences presents Tesco with an opportunity for success

REFERENCES

- Bin Rosnizam, M. R., Kee, D. M., Bin Mohammad Akhir, M. E., Shahqira, M., Bin Mohd Yusoff, M. A., Budiman, R. S., & Alajmi, A. M. (2020). Market opportunities and challenges: A case study of Tesco. *Journal of The Community Development in Asia*, 3(2), 18-27. <https://doi.org/10.32535/jcda.v3i2.807>
- Cao, L., Navare, J., & Jin, Z. (2018). Business model innovation: How the international retailers rebuild their core business logic in a new host country. *International Business Review*, 27(3), 543-562. <https://doi.org/10.1016/j.ibusrev.2017.10.005>
- Farndale, E., Horak, S., Phillips, J., & Beamond, M. (2019). Facing complexity, crisis, and risk: Opportunities and challenges in international human resource management. *Thunderbird International Business Review*, 61(3), 465-470. <https://doi.org/10.1002/tie.22037>
- Kar, S. K., Bansal, R., & Mishra, S. (2021). Tesco: Entry and expansion strategy in India. *Emerging Economies Cases Journal*, 3(2), 65-76. <https://doi.org/10.1177/25166042211038465>
- Minkov, M., Bond, M. H., Dutt, P., Schachner, M., Morales, O., Sanchez, C., Jandosova, J., Khassenbekov, Y., & Mudd, B. (2017). A reconsideration of Hofstede's fifth dimension: New flexibility versus Monumentalism data from 54 countries. *Cross-Cultural Research*, 52(3), 309-333. <https://doi.org/10.1177/1069397117727488>
- Sparks, L. (2019). Tesco: how supply chain strategy supports retail success. *The Business & Management Collection*. <https://hstalks.com/t/3883/tesco-how-supply-chain-strategy-supports-retail-su/>