

Building a Sustainable Marketing Relationship

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Executive Summary

This report provides a critical evaluation of Tesco's relationship marketing strategies and their contribution to building sustainable marketing relationships. Key findings highlight the importance of data-driven insights, ethical practices, effective customer segmentation, and differentiation in maintaining customer centrality and strengthening Tesco's market position.

However, the analysis also identifies opportunities for improvement, particularly in enhancing the online customer experience, optimising social media engagement, and proactively responding to competitor strategies. By addressing these areas, Tesco can further solidify its commitment to sustainable relationship marketing and drive continued success.

Introduction

This report has been prepared at the request of the Marketing Executive Officer of Marketing Focus, an online journal published by Tesco. The Marketing Team is currently investigating The Influence of Sustainable Relationship Marketing Policies and Practices and Their Impact on Organisational Performance.

The report has been compiled by Claire Thomas, utilising a range of resources, including books, websites, academic journals, and blogs, to provide comprehensive insights into the topic. It aims to explore how sustainable relationship marketing contributes to organisational success and aligns with evolving consumer expectations in a competitive marketplace.

Marketing is a critical management process focused on identifying, anticipating, and profitably satisfying customer needs. While often misunderstood as solely advertising or selling, it is a comprehensive discipline that helps businesses align their offerings with consumer desires, ensuring competitiveness and success in the market.

The 7Ps of marketing—Product, Price, Place, Promotion, People, Process, and Physical Evidence—serve as a framework for businesses to create and execute effective strategies. These elements help ensure that the right product reaches the right customers at the right price, through the right channels, with an excellent customer experience to back it up.

Effective marketing involves understanding market dynamics, identifying trends, and delivering value through these 7Ps. This approach has driven many business successes, while poor marketing has often led to business failure.

The rise of digital and mobile technology has revolutionised marketing, offering tools to make strategies more targeted and effective. As competition intensifies, marketing is no longer confined to a single department but is a key business-wide mindset. Skilled marketers leveraging the 7Ps play a vital role in driving economic growth by attracting customers, building sales, and increasing profitability (CIM, 2023).

Profile of Tesco

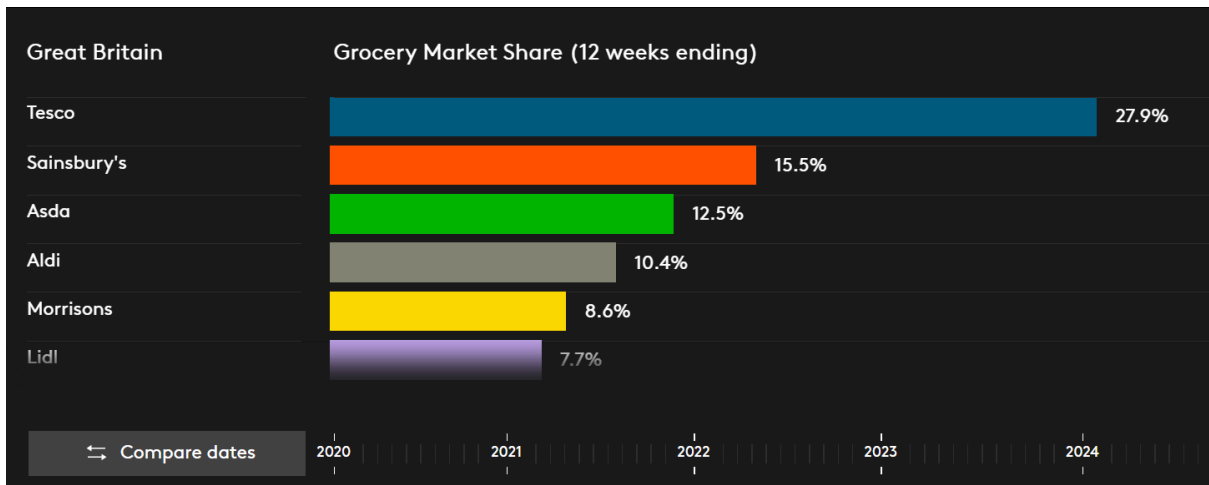
Historical Development of Tesco

Tesco, founded in 1919 by Jack Cohen as a small grocery stall in London, has evolved into one of the largest retailers in the UK and globally. The brand name "Tesco" first appeared in 1924, derived from Cohen's tea supplier, T.E. Stockwell. By the mid-20th century, Tesco had expanded into the supermarket sector and pioneered the development of self-service stores, which revolutionised the shopping experience (Tesco, 2024).

The company made significant strides over the years, diversifying its product offerings, including expanding into areas such as clothing, electronics, and financial services (Tesco, 2024). Its global expansion began in the 1990s, with the company entering markets like Asia and Eastern Europe (The Grocer, 2019).

Current Market Share

As of November 2024, Tesco is the UK's largest supermarket chain, commanding a market share of approximately 27.9%, with its main competitors being Sainsbury's, Asda, and Morrisons. However, this market share has been facing challenges, with competitors like Aldi and Lidl increasing their presence in the UK. Despite these challenges, Tesco has maintained its position as a leader in the grocery retail sector (Kantar, 2024).



Profit or Loss Status

For the financial year 2023, Tesco reported a profit of £2.29 billion, which was partly due to reduced inflationary pressure (Food Manufacture, 2024). The company's focus on operational efficiency, supply chain management, and the expansion of its online presence has been pivotal in its profitability.

Mission Statement

“Serving our customers, communities and planet a little better every day.” (Tesco 2024) This statement reflects a commitment to continuous improvement, emphasising customer satisfaction, community engagement, and their environmental responsibility.

Data Collection, Analysis, and Evaluation in Marketing Relationships

According to Kotler et al. (2019, pp.8-9) data collection, analysis, and evaluation are crucial for understanding customer needs, preferences, and behaviors. The role of data in fostering sustainable marketing relationships lies in its ability to provide actionable insights that can guide decision-making. These processes contribute to sustainability in marketing relationships by enabling organisations to anticipate customer needs, customise offerings, and enhance engagement strategies.

Data Collection

Customer data is collected through various touchpoints such as online transactions, surveys, customer feedback, social media interactions, and loyalty programs. For example, Tesco utilises its Clubcard loyalty program to gather vast amounts of consumer data. This data includes purchase history, frequency, and preferred products, providing insights into individual customer behaviors (Turner & Wilson 2006). Collecting this data allows Tesco to segment customers effectively and offer tailored promotions, making customers feel valued and understood (Humby et al., 2007). Anant, et al. (2020) discovered that consumers are increasingly concerned about the amount of personal information companies collect and how that data is utilised. These concerns emphasise the importance of transparency, ethical data handling inline with GDPR and clear communication about privacy policies to build trust and maintain strong customer relationships.

Data Analysis

Data analysis involves processing and interpreting the collected data to identify patterns and trends. By analysing customer data, Tesco can understand purchasing behaviors, seasonal trends, and demographic preferences. This helps create more personalised marketing strategies that enhance the customer experience. For instance, Tesco may use predictive analytics to anticipate demand for specific products during the holiday season, ensuring that customers find what they need in stock (Tileaga & Oprişan, 2021).

Data Evaluation

Data evaluation involves measuring the effectiveness of marketing campaigns and customer relationship strategies. By evaluating key performance indicators (KPIs) such as customer retention rates, lifetime value, and satisfaction scores, Tesco can assess the impact of its marketing strategies and identify areas for improvement (Gupta & Aggarwal, 2012). This continuous evaluation ensures that Tesco maintains customer-centric practices and delivers value, fostering long-term loyalty and sustainability.

Impact on Sustainable Marketing Relationships

The continuous cycle of data collection, analysis, and evaluation helps Tesco establish a sustainable marketing relationship with customers. It allows the company to adapt its strategies based on customer feedback, ensuring that its offerings remain relevant and valuable. This data-driven approach also enables Tesco to meet changing customer expectations, improving satisfaction and reinforcing brand loyalty (Yan et al, 2017)

Tesco's Marketing Relationship Strategy

Tesco's marketing relationship strategy involves a comprehensive approach that incorporates segmentation, pricing, differentiation, and ethical and sustainability practices. These elements are designed to achieve Customer Centrality, ensuring that the company remains competitive while fostering long-term customer relationships (Kotler, 2003).

Segmentation

Tesco employs sophisticated segmentation strategies based on demographic, geographic, psychographic, and behavioral factors. For instance, Tesco's customer base is segmented by income levels, family size, shopping habits, and geographical location (Gielens, 2024). Through its Clubcard data, Tesco can identify high-value customers and tailor offers to specific segments, such as discounts on organic products for health-conscious customers or promotions on baby food for families with young children. This segmentation strategy helps Tesco maintain relevance across diverse customer groups.

Pricing Strategies

Tesco uses various pricing strategies to maintain competitiveness and appeal to different customer segments. Its pricing strategy includes everyday low pricing (EDLP) on essential items, as well as promotional pricing and loyalty discounts (Hollensen, 2014). Tesco's "Price Lock" scheme guarantees that customers will pay the same price for certain items over a specified period, increasing trust and loyalty. Additionally, Tesco uses dynamic pricing models for online orders, adjusting prices based on factors such as demand, location, and time of purchase (Tesco, 2023).

Differentiation

Tesco differentiates itself from competitors through product quality, customer service, and innovative offerings. For example, Tesco's Finest and Tesco Organic product ranges offer high-quality alternatives to mainstream products, catering to customers seeking premium or ethical products (Kutcher, 2023). Additionally, Tesco's focus on convenience, such as its in-store Click+Collect and home delivery services, ensures that customers have easy access to products in ways that suit their lifestyles. This differentiation helps Tesco build strong relationships by offering unique value to customers.

Ethical and Sustainability Policies and Practices

Tesco has committed to sustainability through various initiatives aimed at reducing its environmental impact and supporting ethical practices. For example, the company has pledged to become a net-zero carbon business by 2050 (Tesco, 2024). It also works with

suppliers to ensure sustainable sourcing, such as ensuring all its fresh produce is ethically sourced. Tesco has also introduced plastic reduction strategies, aiming to make all packaging recyclable or reusable by 2025 (Yadva, 2023).

These practices resonate with environmentally and socially conscious customers, fostering deeper loyalty and enhancing customer centrality. Customers who share these values are more likely to form strong, long-term relationships with the brand. According to Fenech et al. (No Date), the growing awareness of the climate crisis is significantly influencing shifts in consumer behavior. However, while many consumers remain willing to prioritise sustainability and environmental considerations in their decisions, 61% face a challenging trade-off between managing higher costs and adopting sustainable lifestyle choices.

Achieving Customer Centrality

By focusing on segmentation, pricing, differentiation, and sustainability, Tesco ensures that its marketing strategies are closely aligned with customer needs and expectations. This customer-centric approach helps Tesco foster loyalty, create personalised experiences, and maintain a strong competitive position in the market (Danaher et al., 2008).

Conclusion

Key Areas of Strength:

1. **Data Collection and Personalisation:** Tesco's use of customer data through Clubcard and its focus on personalisation enable the company to tailor marketing strategies effectively, enhancing customer satisfaction and loyalty.
2. **Ethical and Sustainability Practices:** Tesco's commitment to sustainability not only addresses environmental concerns but also aligns with consumer values, particularly in an era of increasing eco-consciousness.
3. **Segmentation and Differentiation:** By effectively segmenting its market and offering differentiated products and services, Tesco ensures it meets the unique needs of its diverse customer base.

Areas for Improvement:

1. **Online Experience:** While Tesco has made strides in its online offerings, it faces growing competition from online-only retailers. Improving its digital experience, particularly in areas such as ease of navigation, order accuracy, and delivery times, could enhance customer satisfaction.
2. **Social Media:** Branching out to all social media platforms can be a powerful way to expand their reach, engage diverse audiences, and strengthen your brand presence.
3. **Competitor Response:** As discount retailers like Aldi and Lidl continue to grow, Tesco must maintain its focus on value for money while balancing its premium offerings. Ensuring that its pricing remains competitive, particularly on everyday items, will be key to sustaining customer loyalty.

As Tesco continues to grow and expand its global presence, it is essential to monitor and adapt to external factors that influence its operations. By proactively addressing political,

economic, social, technological, legal, and environmental (PESTLE) changes, Tesco can enhance its resilience and maintain a competitive edge. This approach enables the company to position itself as a sustainable and responsible leader in the retail industry, meeting the evolving needs of consumers and stakeholders.



The cost of keeping an existing customer is typically significantly lower than the cost of acquiring a new one. Research suggests that retaining a customer can be 5 to 7 times less expensive than acquiring a new one. While retaining customers requires consistent effort, it delivers higher ROI in the long run. Existing customers are more likely to make repeat purchases, spend more per transaction, and refer others, making them a valuable asset to any business.

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