

BA (Hons) Developing Leadership and Management
BMSW5007- Building a Sustainable Marketing Relationship

Individual Report- A Critical Evaluation of the Impact a ‘Sustainable Customer Relationship as on an Organisation and its Customers’.

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Executive Summary

Addressing the social issues and providing corporate initiatives that address social and general worldwide challenges can ensure a firm’s brand image booting the current level of customer engagement. The presented research analysis has underpinned some of the most crucial components related to marketing engagement factors and the way they are beneficial to corporations firms, take the scenario of Tesco plc a leading UK-based retail

company. In this regard, the presented paper has demonstrated the brief brand background of Tesco as well as historic development supported by financials and market growth information. Also, the considered marketing relationship strategies of the firm have been elaborated. Finally, the key areas for the firm to address have been depicted.

1. Introduction

Customer relationship determines the level of organisational performance through a better rate of engagement and enhanced sales of specific products or services offered. Based on the views of Whalen *et al.*, (2018), in order to develop a sustainable consumer relationship an organisation must adhere to a considerable amount of social initiatives and market their offered products or services to the public following the same. Specific products and service development processes must also be remarkably environmentally and ethically sustainable. Also, marketing and promotional strategic approaches followed by a corporate firm become a determinant factor for witnessing an enhanced rate of customer engagement as well as brand awareness in the long run.



Figure 1: Brand Logo of Tesco Plc

(Source: Tesco plc, 2024)

In this regard, corporate entities, regardless of their industrial uniqueness, offer suitable market insights and follow 'Sustainable Relationship Marketing Policies and Practices' to promote transparency in promotional approaches. The following comprehensive report will evaluate critically, the historical development, 'marketing relationship strategy and the

significance of data collection for marketing insights taking the scenario of the reading retail organisations namely Tesco Plc.

2. Main Analysis

Task- 1

Brand portfolio and Historical development as a corporate entity

Tesco is one of the most popular retail supermarket chains in the UK and is currently operational in more than 12 international regions including the Central European region, Asia and the United Kingdom. The firm is a British international retailer that follows a brand expansion strategy of joint venture, small acquisition as well as local management, enabling them to operate in more than 4942 retail stores all over the globe (Statista, 2024). The retail giant was able to generate a significant amount of market share raising a revenue of nearly 34.77 billion GBP by the end of August 2024 (Finance.yahoo, 2024). It currently operates seamlessly all over the world with a skilled and enthusiastic workforce of about 337,518 people as of the analysis of 2024 among which the majority are from the UK (Statista, 2024).

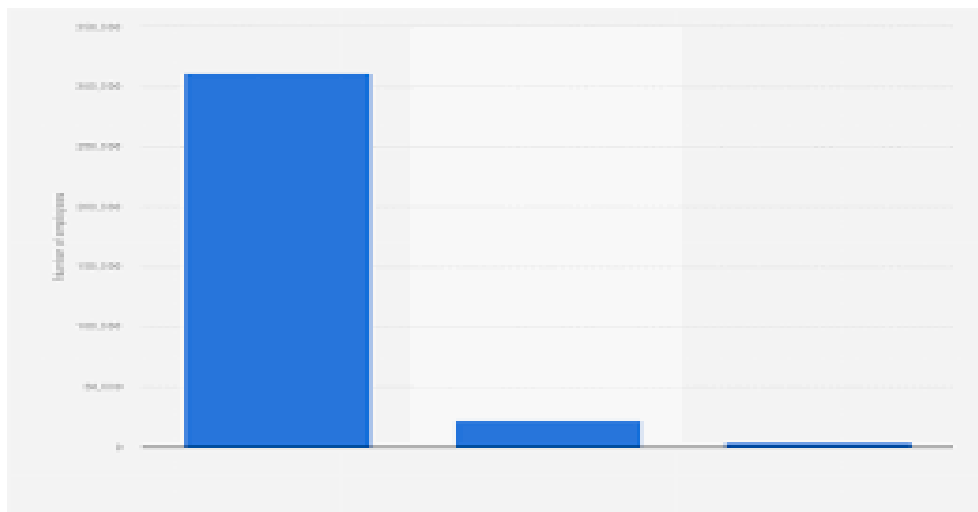


Figure2:Employees of Tesco Plc as of Regions, 2024

(Source: Statista, 2024)

Tesco was founded by 'Jack Cohen' in the year 1919 initiating the business offering as a grocery seller in the Eastern region of London (Tesco plc, 2024). The firm name of this company was generated from its original Tea Supplier status. Tesco soon became popular in the entire London region and expanded its business span by purchasing about 19 Burnards stores in the year 1955 which continued up to 1996 enabling the corporate entity to purchase a range of K-Mart locations in the 'Czech Republic' and 'Slovakia' (Tesco, 2024).



Figure 3: Historic Image of a Tesco Store from the 1940s

(Source: Tesco, 2024)

The firm marketed its products as a daily essential and consumable seller for the general public enabling people to witness its brand objective called "Serving customers, communities and planet a little better every day" (Pereira, 2023).

Current market share of the firm Tesco Plc

It is highly essential for businesses in the retail or supermarket segment such as Tesco Plc to effectively keep track of its market performance and revenue by analysing its share. The current market share of the firm Tesco Plc as of the valuation of April 2024, is about 27.4% in the UK's retail grocery market landscape (Statista, 2024). With a consistent market share of about 27% in the UK region, the firm was enlisted in the conventional 'Big Four' supermarket brand with 'Asda', 'Sainsbury's' and 'Morrisons'.

The growth rate of Tesco Plc

The current growth rate of the firm is at its peak which has enabled it to witness a sales growth rate of about 4% in the year 2023 which boosted the revenue up to 31.5 Billion GBP (Tesco plc, 2024). In 2024, Tesco generated a revenue of nearly 62.88 Billion GBP, which is 14 times more than that of the revenue of its Central Europe regions (Statista, 2024).

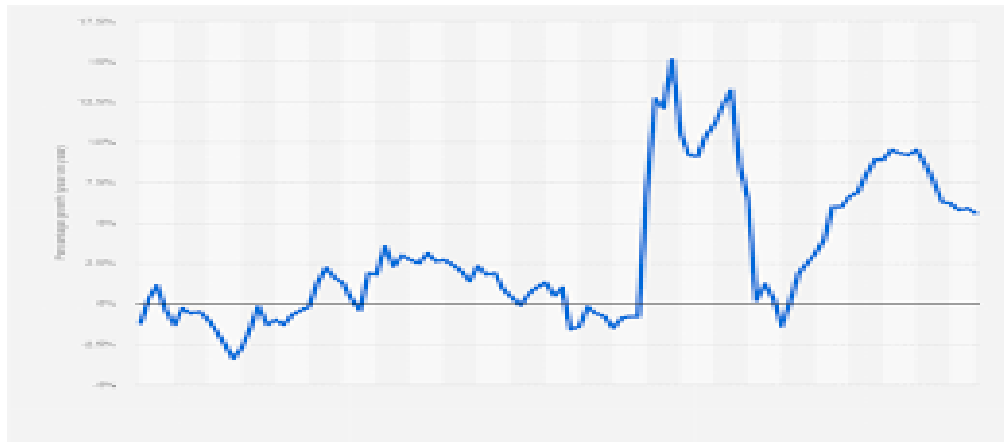


Figure 4:Growth Rate of Tesco Plc

(Source: Statista, 2024)

Profit and loss statement analysis of Tesco Plc

The following consolidated group income and loss statement of the firm Tesco Plc, in the year 2023 depicts that it generated a profit of about 4,673 million GBP in the initial phase of the year. Also, a significant loss of about 163 Million GBP can also be noted in this regard (Tesco plc, 2023).

Tesco's common size income statement and projection					
Annual Revenue growth 1.33%					
	2019	2020	2021	2022	2023
Revenue	63,911	64,766	65,620	66,462	67,375
Cost of sales	-58,115	-59,086	-60,059	-61,028	-62,018
Gross profit/(loss)	5,796	5,680	5,561	5,434	5,357
Administrative expenses	-2,041	-2,081	-2,098	-2,123	-2,152
Operating profit/(loss)	3,755	3,599	3,463	3,311	3,205
Share of post-tax profit/(loss) of joint ventures and associates	32	33	28	26	28
Finance income	23	23	24	25	25
Finance costs	-1,089	-1,244	-1,189	-1,205	-1,221
Profit/(loss) before tax	2,691	2,391	2,296	2,156	2,035
Taxation	-347	-380	-364	-369	-374
Profit/(loss) for the year from continuing operations	2,344	2,011	1,932	1,787	1,661
	2019	2020	Average		
Revenue	100.00%	100.00%	100.00%		
Cost of sales	92.65%	92.93%	92.75%		
Administrative expenses	3.20%	3.18%	3.19%		
Share of post-tax profit/(loss) of joint ventures and associates	0.05%	0.03%	0.04%		
Finance income	0.04%	0.04%	0.04%		
Finance costs	1.70%	1.92%	1.81%		
Taxation	21.46%	28.90%	25.18%		

Figure 5:Consolidated Income and Loss Statement of Tesco, 2023

(Source: Tesco plc, 2023)

The mission statement of the firm Tesco Plc

The mission statement of Tesco Plc is “Serving shoppers a little better every day”.

Task- 2

Influence of ‘Data collection, analysis and evaluation’ on Marketing Relationship

As per the views of Adshead *et al.*, (2019), data insight and having a track of the contemporary market information enables a corporate firm to make suitable decisions related to corporate promotional approaches. For instance, if social media trends and online marketing popularity are at their peak, business entities get a deeper clarification on the fact that they should also prioritise social media marketing. This can also benefit the firms to market with a higher precision rate. As a result, business organisations actively conduct contemporary and comprehensive data analysis to demonstrate a significant insight into market trends. This can also be beneficial for a better decision-making process to address the marketing areas such as generating a more personalised marketing experience, enhanced performance and effectiveness of certain marketing campaigns as well as fostering anticipated demands in the potential years gaining a significant competitive edge in this dynamic business climate (Fahy and Jobber, 2019).

‘Data collection’ methods are one of the most integral components for market insights and this provides firms with a more comprehensive insight into the current market trends, information and consolidated data for analysis. As a result, this can be beneficial for firms to make marketing strategies and social initiatives reflected by those marketing campaigns more targeted and aligned with the situational trends (Whalen *et al.*, 2018).

Considering the stent of Adshead *et al.*, (2019), ‘Data analysis’ is the process that provides business entities with essential information focusing on pattern-based trends generated from the collected raw pieces of information. This is also crucial for organisations to plan strategic marketing initiatives. In a collective manner, these data collection and analysis methods can provide corporate firms with a better understanding of the market needs, specific customer trends as well as a pattern that can be noticed in their seasonal demand fluctuations. As a result, using these raw collected pieces of information and analysing the database, businesses are able to make a more targeted marketing approach adding a sense of sustainability considering the current trends. In addition to that, organisations can also take customer feedback and predict an abrupt hike in product or service demand.

Relation of marketing relationship with sustainable brand image

Marketing strategies can vary based on the specific corporate offerings and brand objectives in the long run. A diverse range of marketing strategies and initiatives can alter the amount of customer response to feedback enabling them to get a higher rate of brand engagement (Chaffey and Ellis-Chadwick, 2019). As a consequence, following the shifting customer trends and their awareness of environmental and social issues, businesses are strategising their marketing moves in a way that reflects a sense of sustainable practice. For example, the firm ASDA initiated a 'Science Based Targets Initiative (SBTi)' that has been initiated to reduce emission rate and has also initiated 'Food wastage reduction' by the end of 2030 by about 50% (ASDA, 2024).

Task 3

Marketing relationship strategies followed by Tesco

Marketing relationship refers to the level of engagement and positive response that a corporate firm is able to generate through its different promotional initiatives such as social media marketing, conventional marketing campaigns as well as sustainable and social incentives (Whalen *et al.*, 2018). In this regard, the following section has elaborated on the specific marketing strays followed by firm Tesco Plc regarding its segmentation, differentiation approach and ethical or social considerations.

Segmentation strategy

The firm Tesco Plc uses different segmentation strategies to understand the market consumers in a better way. In this regard, Tesco segregated its segmentation criteria based on the 'Geographic, Demographic, Psychographic' as well as 'Behavioural market segments' to get a deeper comprehension of the customer base. The firm initially targets Rural and Urban regions of the UK and 13 other national regions targeting all age groups to showcase its advertisements (Tesco, 2024). Also, 'Demographic segments' are further classified into 'Age groups, occupation, Income level' as well as 'social status' and 'family sizes' for a more precise marketing landscape, and analysis of the patterns (Tesco plc, 2024).

Pricing Strategies

The initial pricing approach that the firm Tesco adheres to is known as 'Competitive pricing' which has generated value for the firm and has assisted it to gain an edge from the large number of available market competitors such as Asda, Sainsbury's and Aldi. In order to promote its pricing approach, the firm has initiated a 'Clubcard loyalty program' in order to enhance customer engagement and expand brand awareness at the same time

(Grocerydoppio, 2024). This has been remarkably beneficial for the firm to promote its pricing strategy through a marketing approach and eventually generate community engagement regarding the same.

Differentiation

Differentiation strategy refers to the specific business approach that involves generating marketing products or services reflecting a sense of uniqueness in order to gain a competitive edge in the market climate (LinkedIn, 2024). In this context, the firm Tesco Plc reflects a sense of uniqueness and depicts its USP through 'Sustainability initiatives', 'Strong online and online presence', as well as its 'Clubcard loyalty program' which the firm promotes through its marketing initiatives for an enhanced rate of corporate engagement.

Ethical and Sustainability Policies

Some of the most popular and effective ethical and social initiatives that have generated Tesco's sustainable brand image involve its 'Ethical First' initiative, 'Living wage', 'Renewable energy' along with 'Biodiversity' and 'Supply chain collaboration'. In this regard, Tesco Plc uses more than 96% of its energy needs from sustainable and renewable sources and they foster the usage of EVs considering climate change actions (Thecsruniverse, 2024). With the usage of electric vehicles for the transportation of goods in more than 75% of the cases, the firm was able to address carbon footprint issues contributing about 25.5 Tons of carbon emission mitigation (Thecsruniverse, 2024). These initiatives are promoted by the firm in order to make the general people aware of the brand's sustainable practices and approaches.

Positive impacts of the marketing relationship strategy of Tesco on Customer Centrality

Tesco Plc has gained a collection of benefits from implementing a range of sustainable and social initiatives and by promoting the same through its brand promotional techniques. As a result, the key advantages the firm has gained involve 'Enhanced Consumer loyalty', 'Customer retention rate', 'Consumer focus' and 'High market share' (Tesco plc, 2024). Through the active initiation of promoting business goals and suitable approaches, the firm Tesco Plc was able to generate a remarkable amount of customer engagement which resulted in the firm becoming the user favourite of about 60% of the grocery delivery firms and 51% of the online customers (Kunst, 2024). Therefore, prioritisation of customers in this manner the firm fosters 'Customer Centrality or Centricity'.

Task-4

The overall elaboration has determined the benefits Tesco Plc has gained from the key initiatives and sustainability approaches. Considering the entire research scenario, the fact is evident that Tesco has benefited from its active online marketing approaches and initiatives to promote their sustainability and social considerations in a collective way. However, there are certain issues that the firm has faced in order to expand its sustainable approaches and to promote the same through suitable marketing channels. Some of the key areas for the firm to improve are elaborated as follows.

Reducing packaging waste

Packaging wastage is a key concern for the firm to regulate in order to reflect a sense of sustainable brand image. The firm has already initiated the same and has reduced more than 2 Billion pieces of plastics from the UK since 2019 (Adshead *et al.*, 2019). However, considering the current rising awareness in people regarding sustainability and wastage mitigation, the company can promote the initiatives through social media more frequently.

Promoting fair labour practices

Fair labour practice addressing gender and ethical equality is another major asset that Tesco Plc needs to leverage. In this regard, the firm can ensure fair labor practice by hiring people from all over the world, not just the UK as shown in Figure 2.

Supporting local communities

Supporting the local communities can be another key tool to support their culture and uplift the brand image seamlessly. In this case, Tesco must provide cultural contributions and initiate social initiatives prioritising cultural integrity.

3. Conclusion

From the overall analysis, this can be concluded that the firm Tesco Plc adheres to a range of seamless marketing strategies to enhance brand engagement with the customers. Also, the effectiveness of marketing approaches considered by the firm and the areas for Tesco to improve have been discussed in the paper using relevant information and data.

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