

Management Economics

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Introduction

The process of the analysis is based on management economics. In the first step, a company is needed to choose from the provided company names and provide proper details about the reason for choosing the company. In the process, every element that has been described as the company's main product or service is going to be effective in the business market and a description of the company's product and service is going to be provided. In the second step, an identification of the demand and the market equilibrium for every element is going to be discussed. In the second point four things have been needed for discussion: In the third stage, every factor is going to influence the elasticity in demand and price. Describing the product and service that has been affected. And giving an opinion about does this factor has been indicating the demand which is much more elastic or it is more elastic that has been discussed. In the process of the analysis, the retailing sector has been chosen. The analysis process is going to be discussed between Tesco and Walmart.

Main body

Question 1

The company Tesco is a British multinational company for groceries and general merchandise retailing shops that are mainly located in UK. In all over the world company Tesco is the third largest retail shop in all over the world. The company Tesco Plc is a multinational retailing company for selling general merchandise. The company has been carrying out the business in multi-format departments and it has been operating in the online systems also. This company has been operating in various procedures which have been differentiated by various ranges of overall products sold. These products mostly include a variety of foods and non-food products. Non-alcoholic drinks, bakery, fresh food, grocery, products used for home and entertainment, clothing products, baby products, frozen foods, household appliances, health, pets Consumer electronics, electronics goods, and beauty products. Rather than this item, this process is also going to provide consultancies, a process of retailing banking and insurance services by the Tesco bank of the UK. The business presence of the company is spread across UK and Europe. The company also has a presence in business all over the UK (Journal, 2022).

There have been many reasons for choosing the company Tesco, the company Tesco is one of the most profitable supermarkets. It is one of the major companies which have been also

impacting a bigger profitable rate of the nation. In the current years, the company Tesco has been earning some major profit as compared to the other rivals of the company. This also has been the reason for facing criticism for abusing the monopoly strategy that has been contributing to some of the highest environmental and social issues that have been plaguing society. These models include exploiting the smaller companies all over the UK and changing them with an industrial name. When considering the market share in all the retailing markets. In the analysis process, it can be seen that the company Tesco claimed that the company's overall market share has been calculated at 12.3%. In the UK, the company Tesco has earned the second rank in the retailing sector. The company Tesco has more than 2300 stores that have been spread out in more than 10 countries. That is why the company is one of the main reasons for heavy employment in the company. The company has been providing jobs to more than 300000 candidates all over their branches. In the UK alone 250000 candidates have been working currently in Tesco. The company Tesco has been following the street corner strategies which have been working as a main element in the sales procedure of the UK (Journal, 2022).

Question 2

Price of substitute

A substitute is a product or a service that can be replaced properly by other consumers. From the viewpoint of economics, this can be seen that the products have been often substituted if the demand for one item has increased when the price has been improved. The substitute for the company Tesco is Walmart. The company Tesco has been increasing the price rates. The Changes have been reflected in the ingredients of the surgical cost for manufacturing and transport because of the Russia-Ukraine war. This mainly shows that the price of goods has also been increased for the substitute. While a decrease in the price of goods is going to decrease the substitute demands. Substitutes are mostly goods that have been used for satisfying similar needs and desires. An increased rate of a good or a price is also going to increase the demand for the substitute process. On the other hand, the decrease in the price rate of the products is also lowering the demand for the substitute (tescoplc, 2022).

Price of complements

A contemporary product is an item that has been bought together with the main product. These products are mainly used for conjunction processes. Contemporary goods have been

bringing some values that cannot be used separately. Like sim cards, petrol, or any kind of banking system. The company Tesco has been operating its business based on customer loyalty. The supermarket chain system has recorded its sales rate as 5.9%. And during the year this has improved to 5%. The company Tesco has been diversifying the offering of its product that has been expanding the business of the markets. The contemporary product carries a negative cross-elasticity process in demand and elasticity. If one of the product's prices has been increased then the demand for both of the complementary products has been going to be called. The more closed it has been linked with the goods the higher the elasticity rate will be (Corporate, 2018).

Consumer income

In the company Tesco, it has been reported that in the department of the UK the sales and substitutes have been increasing the cost of fuel and foods which have been declining in the spending process on non-essential methods like games, CDs, and gadgets in the stores. On the other hand, the company Walmart has also gained its consumer income. From the analysis, this can be stated that consumer income has been increasing. Customer and consumer demand have been affecting the crucial point for the business procedure which can be used for the procedure. The price rate of a product has impacted that process in a greater way. The extremely higher priced items are going to differ the demand for the customers of the company. The level of customer demand has been decreasing the product price or the service of the company or the company's product that has been applicable for each of the goods and services (Plc, 2022).

Consumer tastes and preferences

The company Tesco has been reporting put th early signs about the customer trading process that has been downed in the areas where the groceries have been in s pressure about the cost price, the inflation rate has also affected the price rates of daily food items like bread, pasta, beans, etc. In comparison to the previous year, the company has been focusing on a higher-rated frequency process that has been the overall elevation process. The consumer and the customer are very effective in the movement process of the company. Under the analysis, this can be seen that the customers can be much more effective in processing the profit rate in the company. The price changing princess has mostly affected the customer rate in a company.

As a company introduces the heavy priced products Tesco has a better demand rate if the company has a better satisfaction level (*Home*, 2022).

Consumer expectations of price

In the process of meeting the expectations of the customers have been improving the business in acquiring and retaining customers. Customers have been satisfied when they get any product that might relate to their confidence level and the service-providing process. This process is also going to provide a beneficial process, quality, and features that have been improving the worth payment process. Which have become the reason for making a better relationship with the customers and the company. This process is also rotated to the reputation of the company. The customers who have been experiencing excellence in customer service have been mounted as a delivery process. The company has got a better reputation that can also relate to the better customer reviews that have been eliminated effectively. The company Tesco has been meeting with except the amounting process of the customers that have been much reliable for the service and the products (Theguardian, 2022).

Demographics

Demand and market price of Tesco and Walmart				
Companies	Sale in 2020	Portability in 2020	Sale in 2019	Profitability in 2019
Tesco	58091	-2.15%	63911	32.55%
Walmart	523964	2.05%	514405	0.20%

Table 1: market price of Tesco and Walmart

(Source: WSJ-report, 2022)

In the process of analysis, this can be seen that the amount of Tesco has increased in the sale amount in 2020 that have been stated at 58091. Which estimated the profitability rate as -2.15%. In the year 2019, the amount has been increased to 63911 and the profitability was 32.55%. The analysis has stated that the company's rate of profitability and sales have decreased in the covid era. On The other hand, Walmart earned profitability of in the year 2019 n is 0.20 ad in the year 2020 the sales have been increased to 2.05. The demand process has been seating that the company Tesco has affected in profitability while Walmart is much more stable (Jefferson, 2022).

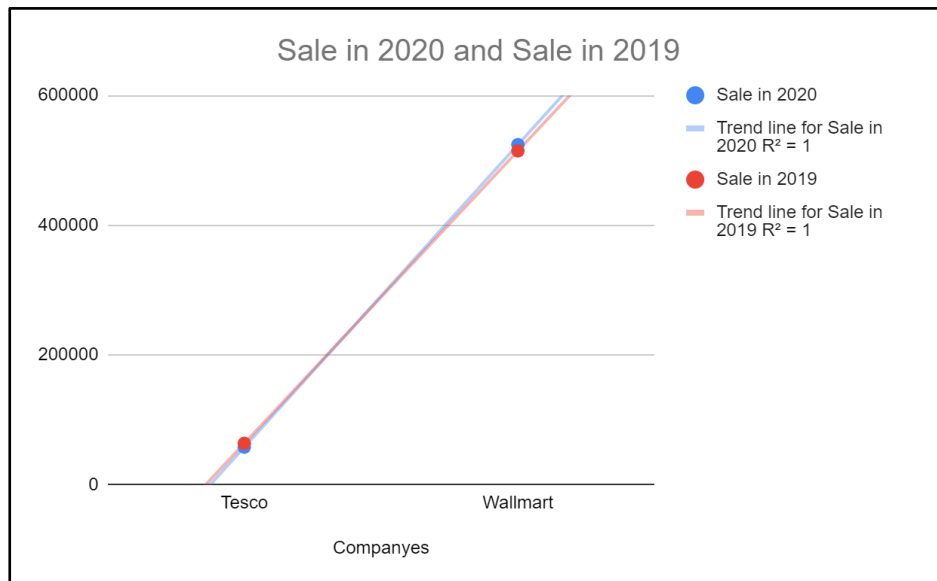


Figure 1: Scatter chart of the market price of Tesco and Walmart

(Source: WSJ-report, 2022)

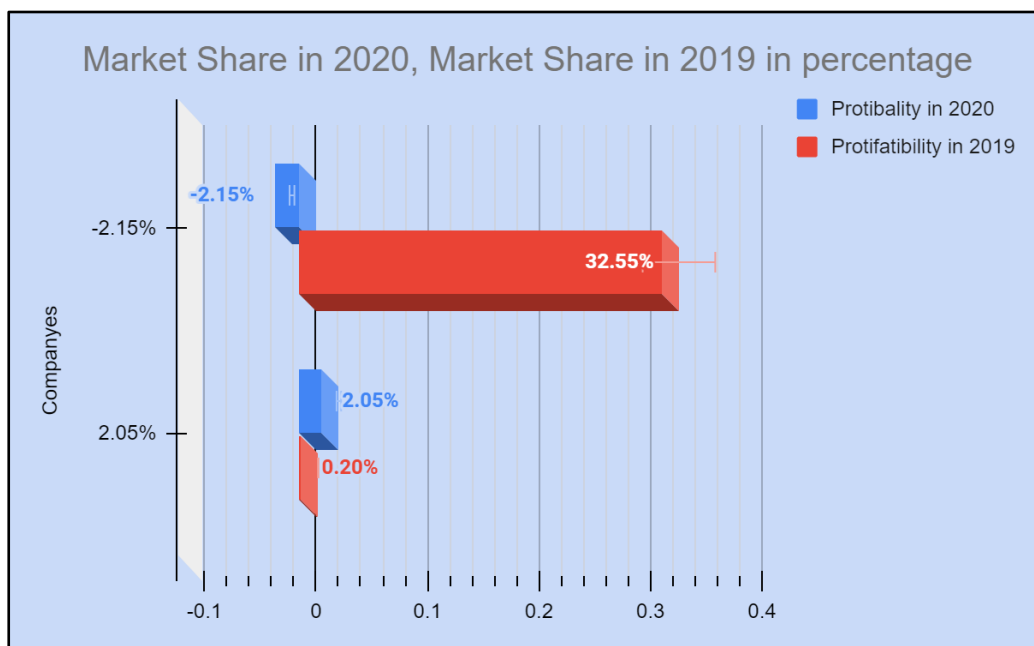


Figure 2: Bar chart of the market price of Tesco and Walmart

(Source: WSJ-report, 2022)

Question 3

A.

Consumers have been replacing the higher products for cheaper prices that have been hiking the product price of the goods with their lower-rated income procedure. The exact number of customers is mostly going to replace the goods when the price has decreased and the

expensive methods when the price of the products has been lowered with a higher income process (Indeed, 2022).

Luxury items

Luxury items are goods and services that have been considered a higher class or society. Luxury items can be also good for example the company Walmart has been selling branded watches, handbags, and many higher-branded items. As the wealth of a consumer has been increasing then they started to buy from premium stores. In the differentiation process between Tesco and Walmart, this can be seen that the company Tesco has been selling necessary products for that reason the demand for the products has been higher but most of the demand products have been concluded for the company Walmart this can be seen that the company have been mostly selling the premium items like many branded articles of clothing, sports items, drinks, and beverages. That is the reason that the company has more revenue than Tesco (Studocu, 2022).

Necessity Items

When any items, services, or products have been concluded as in the stages of income elasticity that has been demanded between zero to one they have been typically referring as the necessary goods which have been producing the profits and serve in the process of changing in the income levels. In the process of the analysis, it can be seen that the company has been selling the necessary products that can be stated as mostly needed by the customers. The company has been also selling branded products but does not proceed for the persons who cannot afford any of the products. That is why he is selling as much but it is still a lower rate than Walmart. This is the reason the company Tesco has been choosing necessary products (Liffreing, 2017).

B.

In the retailing company, Tesco is one of the most successful companies in all over the UK. The company is most famous for lower-priced items with a better rate of satisfaction. On the other hand, the company Walmart has been famous for its premium products which also provide much more attention than normal goods. The company's value of eating is also higher than the company Tesco. Though the company mostly gets its sales for selling the lower price better products, the company has been selling them at times higher prices. That is why the ceiling amount has also become much higher than the expectation. Table 1, can be visualized

properly that the company's Tesco profitability rate is 32.55% which has been decreased by a negative amount because the covid has affected the sales of the companies in a major way. On the other hand, the company Walmart has not been much affected by the procedure. From the analysis process, this can be clearly stated that the company is properly following the demand more elastically. The company is also improving the prices and alongside this, the company also has been improving the effects of the products which can no longer be beneficial for the organization (Thebusinessprofessor, 2022).

Recommendation

The company Tesco has been currently facing implementation challenges in their strategy, that has been including competition, technological failures, and the lower payment process with supplies for the company. The company mostly needed to strengthen its customer relations with the company. The companies have to improve customer relations which can always be one of the better options this mostly leads to the company getting better-rated benefits for spending much more in the stores of Tesco. Revitalizing the loyalty program can also grove the company much help in the process of improving the company's profitability. The loyalty program of the customers is mostly going to allow the customers in claiming a lower process and proper pattern of customer expenditure. The company Tesco also can use some of the customer attraction methods for improving the profitability rate. Which will finally result in a better profitability rate for the company (Wagemann, 2021).

Conclusion

In the process of the overall analysis, this can be seen that The differentiation is better for the company Tesco and Walmart the company Tesco is mostly selling the product in much lower strategies, and the company also does not have much improvement on the public attraction process. The company needs to improve its profitability rate by getting many more customer attractions. The company has many products that the customer has been preferring but customer loyalty to it is much better. So In the process of analyzing it can be analyzed that the company needs to improve the profitability roasted that can be used for future profitability.

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