

Marketing Management

Assessment 1

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Abstract

This report aims to critically evaluate how Tesco, a leading global retailer, can develop innovative marketing strategies. It will explore how Tesco can effectively combine these channels, such as in-store experiences and online interactions, to deliver a consistent and compelling brand message. Discussions have been made on the relevance of innovative marketing tactics, like personalized marketing and omnichannel strategies, within Tesco's operational framework. It will utilize theoretical models such as the Customer Journey Map to provide a structured methodology for assessing and enhancing the customer journey. With personalisation of customer experience using AI and offering seamless omnichannel journey, Tesco can streamline purchase processes and tailor loyalty programs post-purchase, fostering retention and advocacy.

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Introduction

In the field of marketing management, there has been a significant shift from focusing solely on individual customer interactions, known as touchpoints, to a more holistic view encompassing the entire customer journey (Baines et al., 2022). This report aims to critically evaluate how Tesco, a leading global retailer, can develop innovative marketing strategies. These strategies are not only intended to increase brand awareness but also to effectively manage and evaluate the customer experience across various communication channels, ensuring that they meet the expectations of both current and future stakeholders (Chylinski & Heller, 2022). This approach is inspired by the insights of Neher et al. (2016), who highlighted the importance of considering the customer's entire experience rather than just individual touchpoints. For Tesco, this means integrating both traditional and digital marketing channels to create a seamless and engaging customer journey. This report will explore how Tesco can effectively combine these channels, such as in-store experiences and online interactions, to deliver a consistent and compelling brand message.

A key aspect of the strategies discussed in the report involves the use of data analytics. By analysing customer data, Tesco can gain valuable insights into customer preferences and behaviours, allowing the company to customise experiences that align with customer expectations and improve overall satisfaction. The report will also discuss the relevance of innovative marketing tactics, like personalized marketing and omnichannel strategies, within Tesco's operational framework. It will utilize theoretical models such as the Customer Journey Map to provide a structured methodology for assessing and enhancing the customer journey. Thus, this report seeks to provide strategic recommendations based on sound marketing theories.

Organisational background

Tesco Plc, a UK-based global retailer, specialises in a wide array of general merchandise. Operating both through various store formats and online platforms, Tesco's retail outlets are distinguished by their size and the diversity of products offered (The Strategy Story, 2023). These include extensive large-scale stores, smaller outlets, exclusive online operations, and one-stop shops (Yawson & Yamoah, 2022).

In terms of market share, Tesco ranks as the largest retailer in the UK, with over 4671 outlets. In 2022, Tesco experienced significant financial growth and an increase in market operations. The

company reported a substantial increase in revenue, reaching £61.344 billion. This financial growth was reflected in its operating income, which rose to £2.825 billion. Net income of the company had also increased to £1.483 billion. Furthermore, Tesco's workforce expanded, with the number of employees totalling 354,744 in the same year (The Strategy Story, 2023).

Tesco's business model is characterised by dynamic growth and strategic diversification. A key strategy in its expansion has been the acquisition of smaller grocery chains, rapidly increasing its store count through these transactions (Smart Insights, 2019). Economies of scale play a crucial role in Tesco's approach; by purchasing in large quantities, Tesco can offer competitive pricing. This strategy extends to self-production, where the company produces its own grocery items, reducing costs and enhancing product specialization (Shastri, 2023). Notably, Tesco has developed a line of premium products under the 'Tesco Finest' brand, and has recently partnered with bio farms to offer a range of organic products (Yawson & Yamoah, 2022).

Tesco is a suitable company for this report on innovative marketing strategies and managing the customer journey for several reasons (Shastri, 2023). Tesco has been at the forefront of retail innovation, particularly in its use of online shopping platforms and self-produced goods. This showcases how the company leverages technology and supply chain management to stay competitive and relevant in a rapidly changing retail landscape (Smart Insights, 2019). Furthermore, Tesco's approach to customer satisfaction, through a variety of store formats, some personalised services or loyalty features, and a focus on competitive pricing, aligns well with the task of understanding and improving the customer journey (Shastri, 2023). It highlights how the company adapts its strategies to enhance customer experience and satisfaction. Studying Tesco, therefore, offers comprehensive insights into how the retailer successfully implements innovative marketing strategies, manage customer journeys across various channels, and adapt to the evolving retail landscape (Smart Insights, 2019).

Literature review

Customer's end-to-end journey

The concept of the customer's end-to-end journey can be defined as the complete sequence of experiences a customer goes through when interacting with a brand or company (Roy & Schramm, 2019). This journey starts from the initial awareness or discovery of a product or service and

extends through various stages including consideration, decision-making, purchase, and post-purchase experiences (Levy, 2012). Unlike focusing solely on individual transactions or touchpoints, the end-to-end journey considers the entire continuum of the customer's interaction with a brand (Jouffrault, 2020). This concept diverges from traditional focus on individual touchpoints, advocating for an understanding of the entire path a customer crosses from initial awareness to post-purchase interactions (Marshall & Johnston, 2023).

Central to this concept is the Customer Journey Map, a tool underpinned by the theoretical framework of touchpoint analysis. Lemon and Verhoef (2016) argue that this map allows businesses to visualise the customers' entire journey, identifying key interactions and emotions experienced throughout. This visual representation, according to Richardson (2010), enables companies to design and implement more effective marketing strategies, enhancing overall customer satisfaction. Studies show that businesses with clear customer journey map can enhance value at each step of customer interaction in a more structured and results-oriented manner (Levy, 2012).

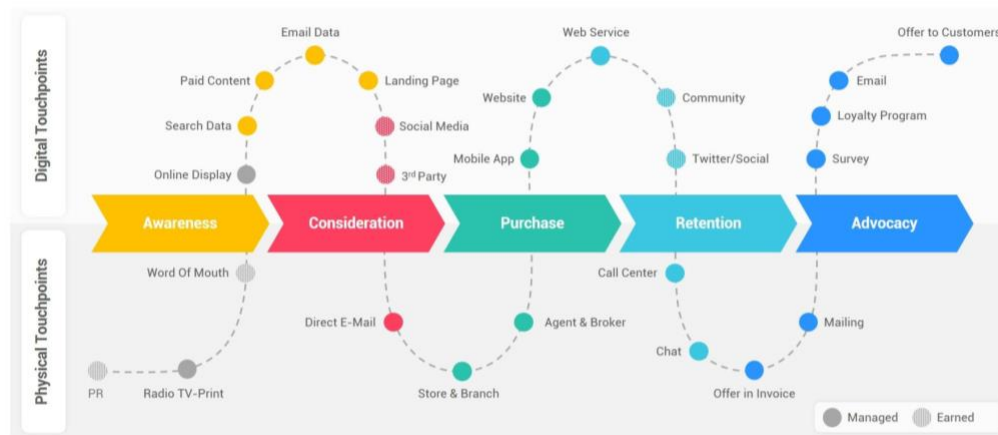


Figure: Customer journey map (Jouffrault, 2020)

Another relevant theory is the Service-Dominant Logic (SDL), proposed by Vargo and Lusch (2004). SDL shifts the focus from transactional interactions to value co-creation between the customer and the organization. This perspective is critical in understanding the end-to-end journey as it recognises the customers' active role in creating value at every stage. Edelman and Singer (2015) further elaborated on this by illustrating how digital transformation has amplified the need for businesses to engage customers in more personalised and meaningful ways, especially in the

digital space. Personalised engagement with customers not only creates value for customers, but also help enhance the value for the business and generates other benefits such as gathering sound marketing knowledge to improve value propositions (Zegullaj et al., 2023).

The purpose of concentrating on customers' end to end journey is to create long term loyalty among customers, which inherently benefits a company in a competitive market (Chylinski & Heller, 2022). The concept of the 'Moment of Truth' as introduced by Jouffrault (2020) and later expanded by McKinsey, plays a pivotal role in the customer journey literature, explaining how creating value in the customers' end-to-end journey can lead to positive customer behaviours towards the brand. It refers to any interaction where the customer forms an impression of the brand, thus shaping their overall experience. These moments, as Zegullaj et al. (2023) highlights, are crucial in forming emotional connections with customers, which are key determinants of long-term loyalty and advocacy.

The literature on the customer's end-to-end journey emphasises the importance of a holistic, value-focused approach that goes beyond mere transactional interactions. The integration of Customer Journey Mapping and SDL provides a comprehensive framework for understanding and enhancing the customer experience. This paradigm shift is essential for businesses aiming to foster deeper customer relationships and sustained business success in the contemporary market landscape.

Evaluating Tesco's current marketing strategies

To evaluate Tesco's current marketing strategies, it is necessary to look at the company's strategies from different angles. Hence, the following is an analysis of the company's current marketing strategies.

Marketing mix of Tesco

Product strategy: Since its inception, Tesco has significantly diversified its offerings, encompassing a broad spectrum of products such as food, electronics, health products, books, clothing, home decor, and more (Riaz, 2023) (Chylinski & Heller, 2022). This expansion caters to a diverse customer base, establishing Tesco as a retail powerhouse. The company has developed its own brands, like Tesco Loves Baby and F&F Clothing, enhancing its product portfolio (Shastri, 2023). A robust digital marketing strategy strengthens these brands, facilitating broader reach, brand recognition, lead generation, sales growth, and improved customer service, while also

deepening understanding of consumer preferences (Shastri, 2023). By offering a wide range of products and brands, Tesco ensures that customers can find almost everything they need in one place, enhancing convenience and customer satisfaction. This variety caters to different consumer segments, making the shopping experience more consistent and relevant (Riaz, 2023).

Pricing strategy: Tesco utilises different pricing strategies in its operations, including cost focus, differentiation focus, premium pricing and cost-based pricing (Chylinski & Heller, 2022). Given the wide array of the company's product portfolio, using different pricing strategies make sense for the brand. The company also leverages a streamlined supply chain network, enabling the company to capitalise on economies of scale (Jonah, 2018). Quality remains a priority for Tesco; they do not reduce quality to lower prices. The company actively seeks consumer feedback and focuses on eliminating unnecessary costs, ensuring affordability and value for its customers. Hence, customer interactions also play a significant role in its pricing strategy (Riaz, 2023).

Place strategy: The company operates its retail operations both digitally and physically. Its stores and outlets include superstores, supermarkets, Tesco value shops, Tesco whole foods, Tesco online etc (Smart Insights, 2019). Tesco's positioning strategy across its various store formats and online presence significantly impacts its customer touchpoints (Jonah, 2018). By tailoring each store format to meet specific customer needs and preferences, Tesco ensures a wide range of touchpoints, from in-store experiences to online shopping, catering to different segments and enhancing overall customer satisfaction (Riaz, 2023). This strategic diversification in store formats and digital presence enables Tesco to effectively reach and serve a broader customer base, each with distinct shopping behaviours and expectations (Roy & Schramm, 2019).

Promotional strategy: Tesco uses both traditional and digital marketing and promotion, effectively utilising these channels to communicate promotional content to existing and prospective customers (Jonah, 2018). The company tries to strike a harmonious mix of conventional and digital marketing tactics. Promotional strategies, particularly offers like 'buy one get one free' and various discounts, are central to Tesco's approach to draw in and retain customers, implemented both online and in physical stores (Smart Insights, 2019). Additionally, Tesco offers a loyalty scheme through its Clubcard program, an integral component of its marketing efforts. This program is designed to reward customer loyalty by offering various perks such as discounts, points, and additional benefits (The Strategy Story, 2023). Thus, the marketing and promotional

strategies of Tesco are aimed at creating value for customers with information, benefits, purchase conveniences etc., contributing to customer satisfaction.

Tesco's marketing strategies are robust, but there are rooms for innovative approaches that will focus more on the holistic customer journey rather than just individual touchpoints, which is the key theme covered in Neher et al.'s (2016) quote. Personalisation, integration of physical and digital experiences, and dynamic pricing and promotions tailored to the customer's journey stages could significantly enhance customer satisfaction and loyalty (Smart Insights, 2019). For instance, using customer data analytics, Tesco can tailor product recommendations and communications to individual customer preferences, ensuring a more customised shopping experience (Jonah, 2018). Additionally, integrating customer feedback more dynamically into product development could enhance customer engagement and satisfaction throughout their journey.

Innovative marketing strategies for Tesco to improve customers' end-to-end journey

An innovative marketing strategy refers to the adoption of novel, creative, and often technologically advanced methods to market products or services, differentiate the brand, and enhance customer experience (Baines et al., 2022). This approach moves beyond traditional marketing techniques, integrating cutting-edge trends and insights to engage customers in unique and compelling ways (Jonah, 2018). An innovative marketing strategy for Tesco to improve the end-to-end customer journey should be based on Relationship Marketing by Berry (1983). This theory advocates building long-term relationships with customers rather than focusing solely on short-term transactions. Innovative marketing strategies here may include personalised communication, loyalty programs, and community building activities that foster a deeper connection with customers. The strategy should also be founded on Customer Experience Management by Schmitt (2003). Schmitt's framework focuses on managing customer experiences as a holistic strategy. Innovative marketing, in this context, is about creating memorable and engaging experiences across all touchpoints, using methods like experiential marketing, storytelling and immersive technologies (Baines et al., 2022).

To enhance the customer's end-to-end journey, Tesco can adopt innovative marketing strategies that align with the various stages of the customer's purchase decision-making process (Jonah,

2018). This journey encompasses awareness, consideration, decision-making, and post-purchase stages, each requiring distinct approaches (Chylinski & Heller, 2022). At the awareness stage, Tesco can utilize AI and big data to conduct targeted marketing. AI-driven analytics can interpret customer data, enabling Tesco to execute focused email campaigns and personalized online content, raising awareness effectively (Kotler et al., 2022).

During the consideration phase, Tesco can leverage these technologies to provide personalized product recommendations and tailored promotions (Kotler et al., 2022). These could be integrated into their app and online platforms, offering customised experiences that influence customer preferences and choices. In the decision-making stage, the key is a seamless shopping experience (Chylinski & Heller, 2022). Tesco can enhance this by integrating online and offline channels through advanced information technologies. Features like real-time order tracking, synchronized shopping carts, and easy returns across platforms can simplify the purchasing process (Kotler et al., 2022).

Post-purchase, Tesco's focus should shift to building loyalty. Revamping the Clubcard loyalty program with personalized rewards and exclusive experiences can deepen customer relationships (Roy & Schramm, 2019). Utilizing customer data, Tesco can offer unique rewards, access to new products, and special events, enhancing customer appreciation and long-term loyalty. Additionally, integrating AI into Tesco's Customer Relationship Management (CRM) systems can improve direct interactions (The Strategy Story, 2023). AI-powered chatbots can assist with queries and offer personalized shopping advice, enhancing the customer experience across various touchpoints. Thus, by adopting these innovative marketing strategies, Tesco can ensure a cohesive and satisfying customer journey (Tueanrat et al., 2021). From raising awareness to fostering loyalty, each stage of the journey can be enhanced through personalized, technology-driven approaches that cater to the evolving needs and expectations of customers.

Customer journey map: Based on the concept for innovating Tesco's marketing strategy as discussed earlier, the following is a detailed discussion of customer journey map.

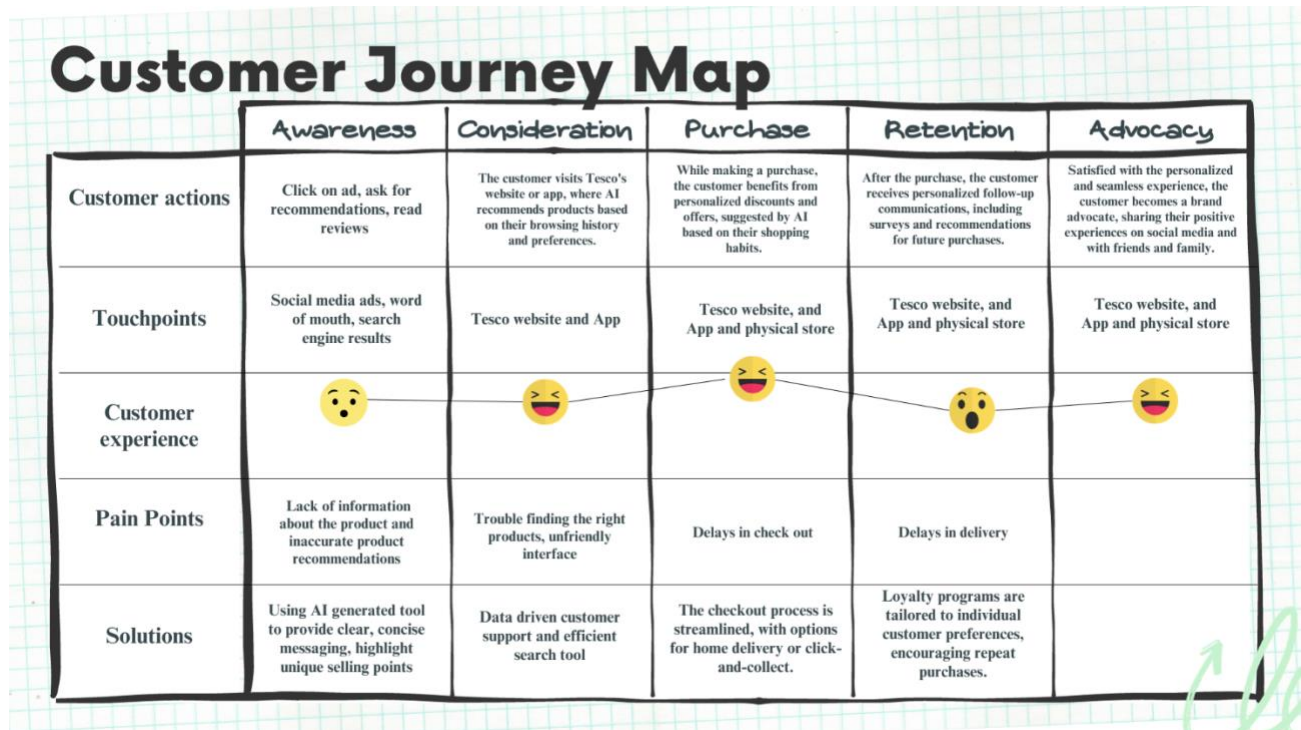


Figure: Customer journey map

Pre-purchase stages:

- Awareness Stage:** The customer becomes aware of Tesco through personalized ads, social media and word-of-mouth. As consumers visit the company's website or social media pages, the installed AI algorithms analyse the customer's online behaviour and preferences to show tailored ads. The AI systems feed on the information and become more efficient at generating recommendations to aware consumers of similar market segment (Tueanrat et al., 2021). The optimised use of information and data help reduce customer pain points, making customers' experience better at this stage.
- Consideration Stage:** The customer visits Tesco's website, social media and app, where AI recommends products based on their browsing history and preferences. The customer experiences a seamless transition between online platforms, with a consistent user experience across all devices. The product recommendations, alternatives and information availed by the new information systems in omnichannel marketing platforms facilitate the consumers' ability to consider their purchase from the company (Tueanrat et al., 2021). Customer Relationship Management (CRM) systems and data analytics installed by the company can provide a unified view of customer interactions, preferences, and history to

remove the customer pain points at this stage (Chylinski & Heller, 2022). This is done by allowing personalised recommendations and content to help customers make informed decisions. Chatbots and virtual assistants powered by AI can provide instant support and guidance, answering questions and directing customers to the right products, reducing the frustration of an unfriendly interface or trouble finding the right product (Baines et al., 2022).

Purchase:

- **Purchase Stage:** While making a purchase, the customer benefits from personalized discounts and offers, suggested by AI based on their shopping habits. The checkout process is streamlined, with options for home delivery or click-and-collect (Kotler et al., 2022). The omnichannel presence of Tesco, augmented with AI integrated information systems will make purchase experience more dynamic and value added for customers. For the company, the augmented purchase experience will act as a key source of competitive advantage in the retail sector (Tueanrat et al., 2021).

Customer pain points are mitigated at these stages with the help of Point-of-sale (POS) systems and e-commerce platforms to streamline the checkout process, making transactions quicker and reducing the likelihood of delays and errors (Tueanrat et al., 2021). Mobile payment solutions and one-click purchasing can also simplify the payment process, enhancing the customer's buying experience.

Post-purchase stages:

- **Retention Stage:** After the purchase, the customer receives personalized follow-up communications, including surveys and recommendations for future purchases. Loyalty programs are tailored to individual customer preferences, encouraging repeat purchases (Tueanrat et al., 2021). At this stage, customer service platforms can ensure that any issues are swiftly dealt with, turning potential negative experiences into positive ones.
- **Advocacy Stage:** Satisfied with the personalized and seamless experience, the customer becomes a brand advocate, sharing their positive experiences on social media and with friends and family. The company's AI chatbots can contribute to this advocacy stage by giving thank you notes to the positive feedbacks and also announcing discounts or loyalty

card scores for certain number of positive feedbacks shared by customers (Tueanrat et al., 2021).

Throughout this journey, data collected at each stage is fed back into the system, continuously improving the AI's understanding of customer preferences and behaviour. This leads to increasingly personalized and efficient interactions over time. In all stages, the integration of these technologies also ensures a seamless, personalized customer journey. By addressing the specific needs and expectations of customers at each stage, technology and innovative marketing strategies can effectively mitigate pain points, enhancing overall customer satisfaction and loyalty (Charlton, 2023).

Justifications for the suggested strategy

Improved personalisation throughout customer journey

As per data published by Zegullaj et al. (2023), 72% of the customers stated that they will only engage with marketing messages that are tailored to their interests, and 78% stated that personalised contents contributed to their purchase decisions. Another study done by Dencheva (2023) revealed that customers were more willing to engage with brands that made recommendations relevant to their needs and preferences. This establishes the importance of personalisation in customer journey. As for companies offering personalised engagement, 90% of the marketers who had used any type of information system to personalise marketing communication, experienced increased sales and positive engagement. However, only 32% of the marketers got personalisation right, which makes an innovative marketing strategy more difficult to implement (Charlton, 2023). These statistics indicate the implications of improved personalisation using AI to improve customers end to end journey.

Amazon is also a classic example of the implication of AI for improved customer interaction. The company uses sophisticated algorithms to provide personalized product recommendations (Chylinski & Heller, 2022). These recommendations are based on browsing history, purchase history, and items in the shopping cart. This personalization enriches the customer journey from awareness to post-purchase, making it more relevant and efficient (Charlton, 2023). Amazon's approach has been instrumental in increasing customer satisfaction and loyalty, as well as boosting sales through cross-selling and upselling.

Seamless omnichannel integration

The importance of seamless omnichannel integration in improving the customers' end-to-end journey is paramount, as it ensures a consistent and cohesive experience across various touchpoints. This integration allows customers to move fluidly between channels (online, in-store, mobile) while maintaining continuity in their experience (Charlton, 2023). A practical implementation of this strategy involves Disney's omnichannel approach. From the initial online experience to the in-park app, Disney ensures that each touchpoint is interconnected. Their My Disney Experience app allows visitors to plan their trip, book fast passes, and access their hotel rooms (Chylinski & Heller, 2022). This seamless integration enhances the customer experience at every step, making Disney a leader in customer satisfaction in the entertainment and hospitality industry. Studies also emphasize the importance of omnichannel experience suggesting that by ensuring consistency and connectivity across all channels, businesses can provide a more satisfying and engaging customer experience, leading to increased loyalty, better customer retention, and ultimately, higher sales and growth (Chylinski & Heller, 2022).

Conclusion

This report has examined various aspects of Tesco's marketing strategies, highlighting how the introduction of innovative approaches can enhance the end-to-end customer journey. As a dominant player in the UK retail industry, Tesco faces intensifying competition from new entrants employing fresh strategies. Therefore, innovating its marketing tactics is crucial for Tesco to maintain its market position amidst these evolving dynamics. The recommendations presented advocate for Tesco to invest in AI-based systems. Such technology will enable Tesco to personalise the shopping experience more effectively. Additionally, offering a seamless omnichannel experience is identified as essential for maximising customer value. By embracing these advancements, Tesco can not only bolster customer satisfaction and loyalty but also strengthen its competitive edge in the rapidly changing retail landscape.

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