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PESTLE ANALYSIS OF TESCO: A SITUATIONAL ANALYSIS

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STUDENT NAME: CRINA DENISA GHIGA

STUDENT ID: 2322635

LECTURER'S NAME: PIYUMIKA K. GAMAGE

**UNIVERSITY OF WALES TRINITY SAINT
DAVID**

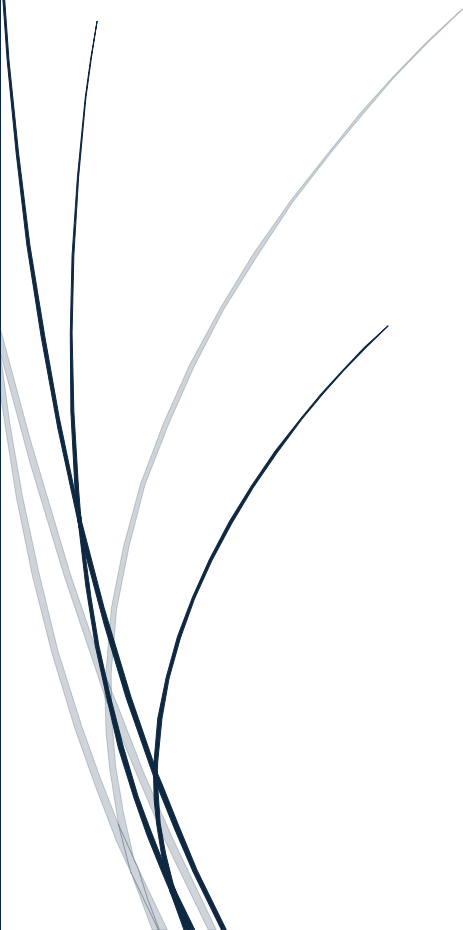


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Introduction

Tesco is one of the biggest supermarket chains in the world, and it is also the biggest in the United Kingdom. Tesco was established in 1919 and has thousands of shops in the UK and several other countries. Groceries, apparel, electronics, financial services, and online retail are just a few of the many goods and services the corporation provides (Statista, 2025). In the UK grocery market, Tesco dominates and faces competition from major retailers such as Sainsbury's, Asda, and Aldi. To stay competitive in the highly saturated retail industry, businesses must constantly assess their business environment. Businesses can use situational analysis, an essential strategic tool, for identifying external opportunities and dangers that could impact their operations (Statista, 2025).

The aim of this report is to apply the PESTLE analysis to a situational study of Tesco. PESTLE analysis focuses on the political, economic, social, technological, legal, and environmental factors of the macroenvironment that affect organisations. This report's analysis of these variables attempts to assess how Tesco's marketing choices and overarching business plan are impacted by the external environment (CIPD, 2025).

Situational Analysis: PESTLE Analysis of Tesco

- **Political Factors**

The retail environment in the UK is significantly shaped by the political factors. Government regulations pertaining to trade, taxes, employment legislation, and food safety can have a big impact on how large retailers like Tesco operate. Brexit, the UK's decision to leave the European Union, is one of the most important political events that has affected UK merchants in recent years. For companies that depend on imports, Brexit has resulted in supply chain interruptions, higher import costs, and new customs rules. These modifications have made it more difficult for Tesco to maintain stable prices and effective supply systems (Makos, 2024). Consequently, the business has been forced to modify its procurement tactics and fortify relationships with domestic vendors. Organisations that operate inside global supply networks may face increased operational risks due to political shifts and regulatory uncertainties. Tesco's operating expenses are also impacted by employment laws and minimum wage requirements. An increase in labour

expenses could have an impact on the company's pricing strategy and profit margins because it is a major employer in the UK retail sector (Makos, 2024).

- **Economic Factors**

The state of the economy has a significant impact on both consumer spending patterns and the retail sector's overall performance. The amount that customers are willing to spend on groceries and household goods depends on several factors, including economic growth, unemployment, and inflation. In recent years, the UK has faced a cost-of-living crisis and growing inflation. As a result, a lot of customers are now more price-conscious and are looking for better deals when they purchase (Kotler and Keller, 2016). Consumers frequently turn to bargain stores and lower-priced goods during economic downturns. As a result, Tesco's rivalry with low-cost grocery stores such as Lidl and Aldi has increased. Tesco has expanded its marketing efforts and added a value-focused product line to stay competitive. Tesco's marketing strategy heavily relies on loyalty initiatives like the Tesco Clubcard. During challenging economic times, the business can sustain client loyalty and promote repeat business by providing individualised discounts and prizes (Kotler and Keller, 2016).

- **Social Factors**

In the retail industry, social trends have a big impact on consumer behaviour and purchasing habits. Product demand is impacted by shifts in consumer attitudes towards sustainability and health, demographic trends, and lifestyle. Demand for plant-based diets, organic goods, and healthier food options is rising in the UK. In response, Tesco has increased the variety of vegetarian and vegan goods it offers, including Tesco Plant Chef, a plant-based brand (Makos, 2024). Tesco has improved its home delivery services and expanded its online grocery platform to adapt to these social shifts. This enables the business to give clients a more convenient buying experience. Additionally, consumers are growing more socially concerned regarding business accountability and ethical sourcing. To keep customers' trust, retailers must ensure that their supply chains adhere to moral and sustainable standards (Makos, 2024).

- **Technological Factors**

In recent years, technological developments have drastically changed the retail industry. Self-service checkout, digital retail platforms, and data analytics are examples of innovations that have enhanced customer satisfaction and operational effectiveness. To support its digital transformation strategy, Tesco has made significant technological investments. Customers may purchase quickly and have their groceries delivered to their homes thanks to smartphone applications and online shopping platforms. Using consumer data through the Tesco Clubcard programme is one of Tesco's most significant technological advantages. Tesco can create customised marketing campaigns and focused promotions by examining the consumer purchase patterns (Pereira, 2024).

- **Legal Factors**

Because supermarkets must adhere to stringent regulations governing food safety, consumer protection, and employment laws, legal requirements are especially significant in the retail industry. The UK Consumer Rights Act 2015 is an important piece of legislation that has an impact on retail firms in the UK. It guarantees that goods provided to customers are of acceptable quality. The General Data Protection Regulation (GDPR), which controls how businesses gather and handle personal data, is another significant piece of legislation. Tesco gathers an enormous amount of customer data via online platforms and loyalty programs, so adhering to GDPR is crucial to preserving consumer confidence. Tesco may face financial penalties and reputational harm if regulatory requirements are not followed (Miller, 2022).

- **Environmental Factors**

Environmental sustainability has grown in importance for both consumers and corporations. Retailers are under pressure to minimise food waste, cut back on plastic packaging, and reduce carbon emissions to lessen their environmental effects. To address these issues, Tesco has launched several sustainability projects. The corporation has pledged to improve energy efficiency in its stores and decrease food waste. Additionally, it has established aggressive environmental goals to cut carbon emissions from all aspects of its business by 2035. Businesses can gain sustained competitive advantages by incorporating sustainability into their

business plans. As a result, Tesco's environmental activities help both protect the environment and enhance the company's reputation (Makos, 2024).

Critical Analysis and Evaluation

According to the PESTLE analysis, Tesco operates in a complex external environment where a variety of macroenvironmental factors impact its strategic choices. Tesco must modify its business practices due to political and legal considerations to abide by trade laws and regulations. Brexit's effects show how political shifts may make supply chains difficult for major merchants. One of Tesco's biggest challenges right now is the state of the economy. The corporation has been obliged to concentrate on value-based marketing methods due to rising inflation and greater competition from bargain stores (Grant, 2019).

Opportunities for development and innovation are also presented by social and technical variables. Tesco has been motivated to diversify its product offers and make investments in digital technology by shifting consumer tastes towards healthier products and convenient shopping experiences. Additionally, corporate strategy is increasingly being shaped by environmental considerations. Tesco can improve its brand image and meet the growing demand from customers for companies that practise environmental responsibility by funding sustainability programmes. Ultimately, Tesco's competitive edge in the UK retail industry depends on its capacity to react to these outside influences (McMillan, 2025).

Conclusion

This research used the PESTLE framework to perform a situational analysis of Tesco. The analysis shows that the company's marketing plans and operational choices are heavily influenced by political, economic, social, technological, legal, and environmental variables. Technological innovation and shifting consumer preferences offer potential for expansion, but economic difficulties and fierce competition continue to be the company's highest risk. This analysis enables the development of a variety of recommendations. Firstly, Tesco should keep investing funds in data analytics and digital technologies to boost consumer satisfaction and customised marketing. Secondly, to meet the growing concerns of consumers regarding the environment, the corporation should intensify its sustainability operations. Lastly, to address economic concerns and price-conscious customers, Tesco should continue to use competitive pricing techniques and broaden its private-label product offerings. PESTLE and situational analysis tools are essential to strategic planning because they enable firms to comprehend external environmental impacts and make well-informed decisions. Tesco can adjust its tactics and hold onto its top spot in the fiercely competitive UK retail sector by regularly examining its macroenvironment.

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