

TESCO'S REPORT



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1. Executive summary

Tesco, one of the largest grocery retailers in the world, focusing on its operations within the UK and selected international markets. The report evaluates Tesco's mission, objectives, and strategies while considering the company's micro and macroeconomic environment. It highlights Tesco's current position in the market, addressing both its strengths, such as a strong financial position, high customer satisfaction, and significant market share in the UK, and its weaknesses, including challenges in certain international markets.

The report delves into Tesco's competitive strategies, utilising established business frameworks such as PESTEL (Political, Economic, Social, Technological, Environmental, and Legal analysis), Porter's Five Forces, and SWOT analysis to understand the external and internal factors influencing its business decisions. It critically assesses Tesco's operations in international markets, particularly in Europe and how it has responded to challenges such as supply chain disruptions and competition from discount retailers.

Key recommendations are made for Tesco's future growth, including enhancing its online presence, focusing on localised strategies in international markets, and enhancing its range of own-brand products to increase appeal and profitability. Furthermore, the report discusses potential changes in Tesco's economic decision-making, particularly how the company could adapt its strategies to further capitalise on market opportunities and respond to macroeconomic developments.

2. Introduction

The retail industry is a cornerstone of global economies, significantly influencing employment, consumer trends, and supply chain operations. Tesco, established in 1919, has become one of the UK's most prominent supermarket chains and a notable player on the international stage. It operates across several European markets, including Ireland, Hungary, Slovakia, and the Czech Republic, underscoring its position as an international organisation (Tesco, 2024). Its expansive operations and ability to adapt to diverse markets make it a compelling subject for analysis within the context of international business environments.

Tesco plc is the leading retailer in the United Kingdom, commanding the largest share of the UK grocery market at 28.1% as the numbers shown in figure 1. It operates approximately 2,800 stores in the UK, serving as a cornerstone of local communities and offering employment to around 300,000 staff within the country, as shows in figure 2. Internationally, Tesco has a significant presence in Ireland, Slovakia, the Czech Republic, and Hungary, with a combined total of 4,942 stores, according to figure 3. These figures shown Tesco's position as a major player in the retail sector both domestically and abroad.

This report investigates Tesco's performance and strategic approach to navigating a rapidly evolving global retail landscape. As retailers face increasing challenges, including economic instability, regulatory changes and rising consumer demands for sustainable practices and digital innovation (Vasileva, E., 2018). These factors create both opportunities and barriers, particularly for companies seeking to balance market growth with operational efficiency. For Tesco, maintaining its market leadership in the UK, while addressing underperformance in international markets highlights a key area of concern (O'Neil, M., 2010).

Tesco, operates in an environment influenced by both microeconomic and macroeconomic factors. According to Graham, J (1996), microeconomics, is the study of individual and firm-level economic activities, helping Tesco assess consumer demand, pricing strategies, and the supply chain. By understanding customer preferences, purchasing behaviour and cost structures, Tesco can adjust its strategies to remain competitive at the operational level. For example, in the face of rising consumer demand for sustainability, Tesco has increasingly focused on offering eco-friendly products and reducing carbon emissions. This aligns with Porter's competitive forces model which can impact Tesco's strategic decisions in these economic environments (Porter, 1985).

Macroeconomics (Bokpin, G. A., 2009), on the other hand, which will be analysed through PESTEL, involves the broader economic factors that affect Tesco at a national and global level. These include inflation, unemployment rates, exchange rates and government fiscal policies. For instance, during times of inflation, like the recent rise in living costs due to global economic shifts, Tesco faces higher operational costs, which can affect its pricing strategy and profitability (Retail Gazette., 2024).

Finally, a SWOT analysis will provide an overview of Tesco's internal strengths and weaknesses, alongside the opportunities and threats it faces. These frameworks will offer a holistic perspective on Tesco's strategic position and support the development of practical recommendations to enhance its competitiveness and resilience.

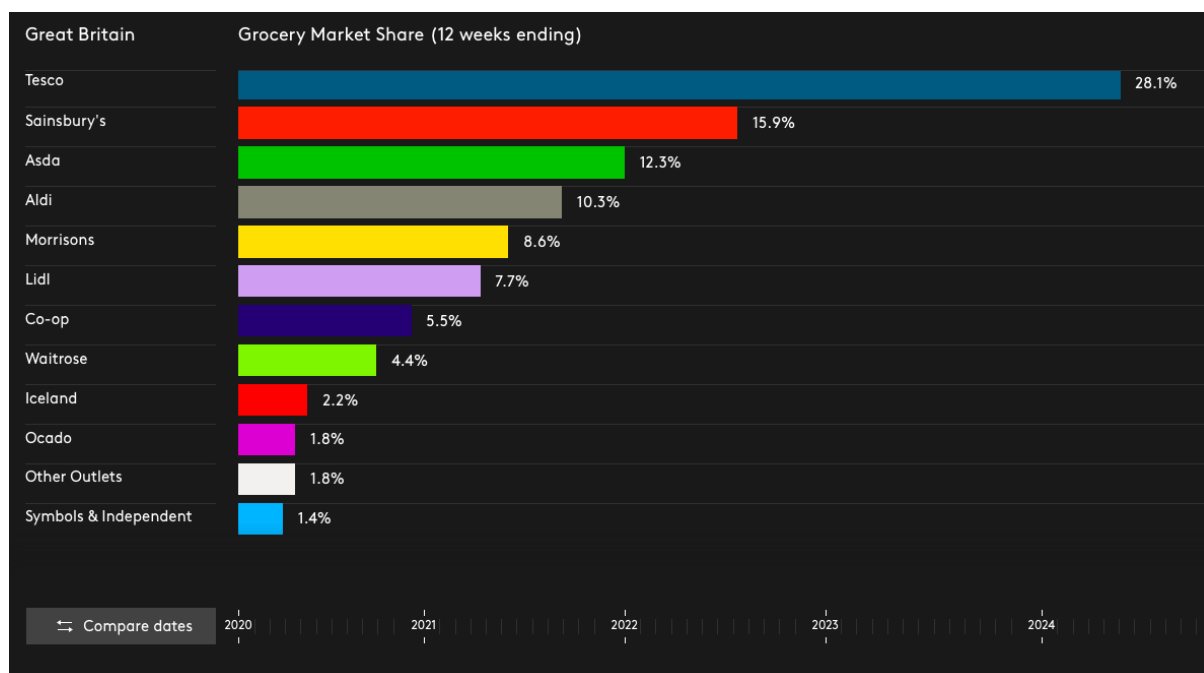


Figure 1: Tesco's grocery market share (Source: Kantar Worldpanel, 2024)

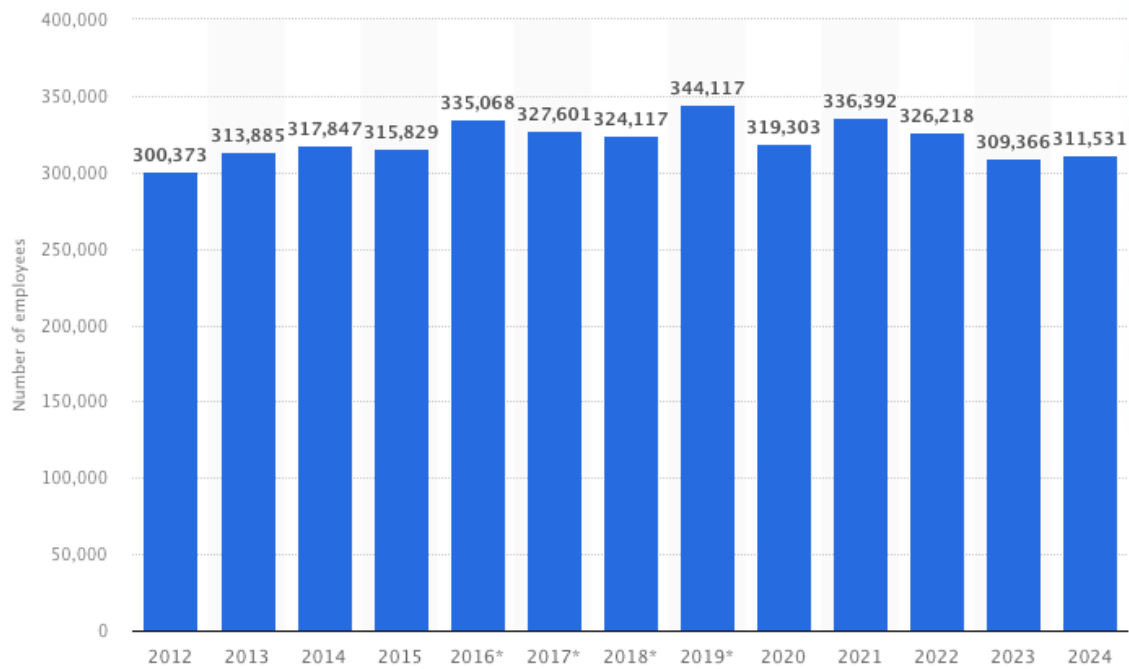


Figure 2: Number of UK employees in Tesco (Source: Statista, 2024)

Tesco's number of stores worldwide from 2008 to 2024

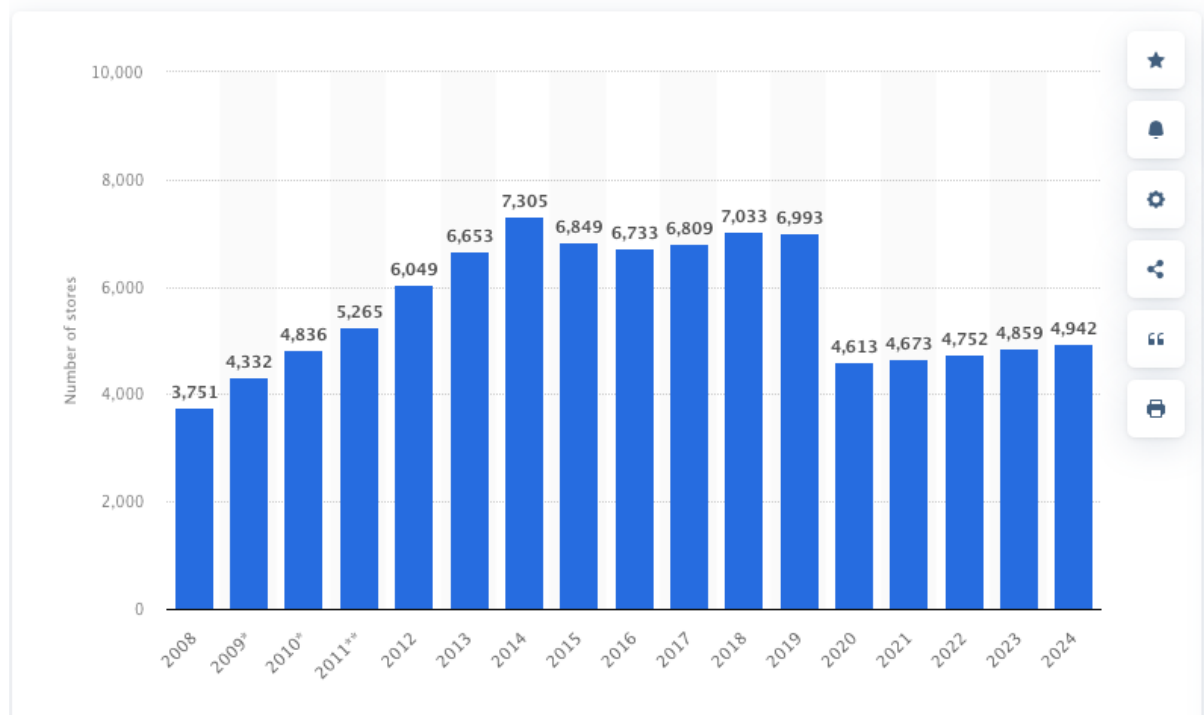


Figure 3: Tesco's number of stores worldwide from 2008 to 2024 (Source: Statista ,2024)

3. Tesco's aims and Objectives

The Management by Objectives (MBO) theory is highly relevant when evaluating the company's aims and objectives. MBO is a strategic management approach that encourages collaboration between managers and employees to set and achieve measurable goals (Drucker, 1954). Tesco, as one of the leading retailers in the UK and internationally, follows a structured process in setting goals aligned with their overall business strategy.

Tesco's goals are divided into short-term and long-term objectives, which help to evaluate and track progress regularly. The MBO approach supports continuous monitoring and adjustment of these objectives, ensuring the company remains competitive in a changing global market. This framework involves the identification of clear objectives, followed by the measurement of progress against those objectives, as well as regular feedback to ensure alignment (Mullins, 2010). This approach enables Tesco to adapt to market dynamics effectively and to remain a market leader in the competitive retail sector.

Tesco, a global retail leader, has built its reputation on understanding customer needs, providing value and delivering quality. The company's mission, "to serve shoppers a little better every day," captures its dedication to improving the customer experience, figure 4 (Tesco PLC, 2023).



Figure 4: Tesco's goals (Source: Tesco PCL, 2023)

This mission underpins Tesco's aims and objectives, which focus on sustainable growth, innovation and meeting consumer expectations while addressing operational challenges.

Aims:

Maintain Market Leadership:

Tesco aims to continue strengthening its position as the leading retailer in the UK, focusing on expanding its share and increasing customer loyalty by offering high-quality products at competitive prices.

Expand Internationally:

The company seeks to improve its presence in countries such as Ireland, Hungary, the Czech Republic, and Slovakia, leveraging its core strengths in retail while adapting to local markets.

Enhance Sustainability:

Aiming to become a more sustainable company, Tesco has committed to reducing carbon emissions, waste and improving environmental practices throughout its operations.

3.1 Short-Term Objectives:

Increase Online and Delivery Services:

Tesco plans to further enhance its online shopping experience, making it more accessible, especially for elderly customers and those unable to shop in stores. This includes expanding delivery services across its markets.

Improve Operational Efficiency:

The company is focused on optimising its logistics and supply chain processes to reduce costs, increase product availability and improve customer satisfaction. This includes adapting to challenges like Brexit, which has affected supply chain costs and distribution.

Expand Private Label Products:

Tesco will continue to invest in its private-label products to enhance profit margins, improve product offerings, and cater to cost-conscious consumers.

3.2 Long-Term Objectives:

Global Growth and Market Expansion:

Long-term objectives include re-entering profitable international markets and potentially expanding to new countries, while adapting to regional needs and consumer demands.

Digital Transformation:

Over the next few years, Tesco plans to invest heavily in digital transformation, utilising technology to enhance the shopping experience, streamline operations and better serve its customers in an increasingly digital world.

Maintain Strong Financial Health:

Tesco aims to continue strengthening its financial performance, increasing revenues, and ensuring profitability, even in competitive and challenging market conditions. This includes balancing investment in growth with maintaining cost control measures.

4. Tesco's Management Structure

A robust management structure is a vital component of organisational success. Mintzberg (1979) highlights that balancing centralisation and decentralisation is crucial for achieving strategic goals while ensuring efficiency. A clear structure defines roles, enhances accountability and promotes strategic alignment. Similarly, Freeman's (1984) states the necessity of understanding and addressing the interests of stakeholders, including employees, customers, suppliers and shareholders for sustained success.

Organisations must align their governance practices with these principles to remain competitive in a dynamic global market. In the case of Tesco, a structured and stakeholder-focused, as shown in table 1, approach is fundamental to its operations. Tesco's governance framework and management practices are designed to adapt to the evolving retail landscape while fostering long-term trust with stakeholders (Palmer, T. ,2021).

Level	Role	Description
Top level	CEO Chief Executive Officer	Overall responsibility for the company's strategy and operation
Executive directors	Finance, operations, H&R, YT, etc.	Responsible for strategic decisions and overseen their respective areas
Senior management	Retail Operations, Marketing, etc.	Manage the operational departments, implement strategy at ground level
Local/Regional	Managing Director and Country Managers	Oversee operations within specific geographic regions (e.g; UK,).
Store Managers	Lead individual stores and manage staff.	Delivering excellent customer service, managing inventory, and meeting sales targets.
Store Employees	Work directly with customers in stores.	Providing service, stocking shelves, and maintaining store appearance.

Table 1: Tesco's Management Structure and Roles (Source: Report's author based on Tesco, 2024)

Tesco's team are divided as follows (figure 5) (Tesco PCL, 2024):

Board Responsibilities

At Tesco, the Board's primary aim is to ensure long-term success and sustainable returns for shareholders. The UK Corporate Governance Code (Financial Reporting Council, 2023) highlights the importance of setting clear strategic goals, effectively allocating resources, and regularly evaluating Board performance. Tesco conducts an annual effectiveness review, ensuring that its leadership remains adaptable and focused. This structured approach enables the Board to oversee management performance, meet shareholder expectations, and steer the company toward achieving strategic milestones.

Corporate Governance

Tesco is committed to maintaining high standards of corporate governance, a critical aspect of long-term resilience and stakeholder trust. Guided by principles such as accountability and transparency (Cadbury, 1992), Tesco fosters open discussions and constructive challenges within its Board to make well-informed decisions.

Succession

Tesco's focus on succession planning ensures that leadership roles are filled with capable individuals who can address future challenges. Armstrong and Taylor (2020) note that effective succession planning strengthens organisational resilience by preparing future leaders. Tesco's Board dedicates significant time to identifying and nurturing talent, reinforcing its ability to adapt and grow in a competitive retail environment.

Fair Remuneration

Tesco's remuneration strategy balances fairness and performance. The organisation incentivises employees and executives to achieve its strategic objectives, while shareholders benefit from sustainable returns. Pfeffer (1998) observed that equitable reward systems enhance employee satisfaction and align organisational goals with individual performance, a principle clearly reflected in Tesco's remuneration policies.

Building the Right Culture

Corporate culture is at the heart of Tesco's strategy. Schein (2010) asserts that a strong culture drives innovation, improves employee engagement, and boosts overall organisational performance. Tesco has cultivated a culture that prioritises stakeholders' needs, fostering trust and encouraging innovation. This approach ensures that employees, customers, and partners feel valued and supported, driving sustainable growth.

Inclusion and Diversity

Inclusion and Diversity remain key priorities for Tesco. By becoming a 30% member's Club, Tesco has demonstrated its commitment to increasing female representation at senior leadership levels. The company's Inclusion Strategy, ensures Tesco remains a leader in fostering equitable workplaces. Thomas and Ely (1996) emphasise that diversity enhances innovation and strengthens organisational outcomes by integrating varied perspectives.



Figure 5: High Standards of governance (Source: Tesco PCL, 2024)

5. Pestel Analysis

PESTEL analysis is a crucial tool for examining the external factors that influence an organisation. It is widely used to assess the overall business environment and helps organisations develop strategies that address opportunities and challenges (Shtal et al., 2018).

This approach is particularly useful for understanding the broader forces at play within an industry or sector, rather than focusing solely on individual firms within that environment (Mack & Putzschel, 2014). PESTEL analysis evaluates each factor separately, without considering their interconnections making it ideal when combined with other analytical methods to get a more comprehensive understanding (Tsangas et al., 2019).

According to Aguilar (1967), using PESTEL analysis, organisations can monitor external factors, which allows them to identify potential business opportunities and recognise threats early. This analysis not only helps organisations adapt to market changes, but it also informs the SWOT analysis process, which is a key component of strategic planning (Christodoulou & Cullinane, 2019). As a result, PESTEL analysis is vital for defining a company's direction and formulating effective strategies (Yuksel, I., 2012).



Figure 6: Pestel's factor (Source: Springworks, 2024)

5.1 Political Factors

One of the most significant political events affecting Tesco has been Brexit. After the UK left the European Union, Tesco faced more complicated regulations for trading with European countries. Customs checks and tariffs increased delays in deliveries, especially for fresh food (Baldwin and Evenett, 2020). These delays raise operational costs and make it harder for Tesco to keep shelves stocked. Additionally, Brexit has affected the availability of EU workers, particularly in warehouses, further impacting supply chains (Dhingra and Sampson, 2019).

In addition, government policies around minimum wages which have been increasing through the years, as shown in figure 7, and taxation are important for Tesco, as the company operates in many countries. For example, when the UK government raises the minimum wage, Tesco faces higher labour costs, which results in price increases or lower profit margins (Gospel et al., 2020). Similarly, changes to corporate tax rates, such as the introduction of higher taxes on large companies, could reduce profitability, especially in markets like the UK where Tesco has significant operations (HMRC, 2021).

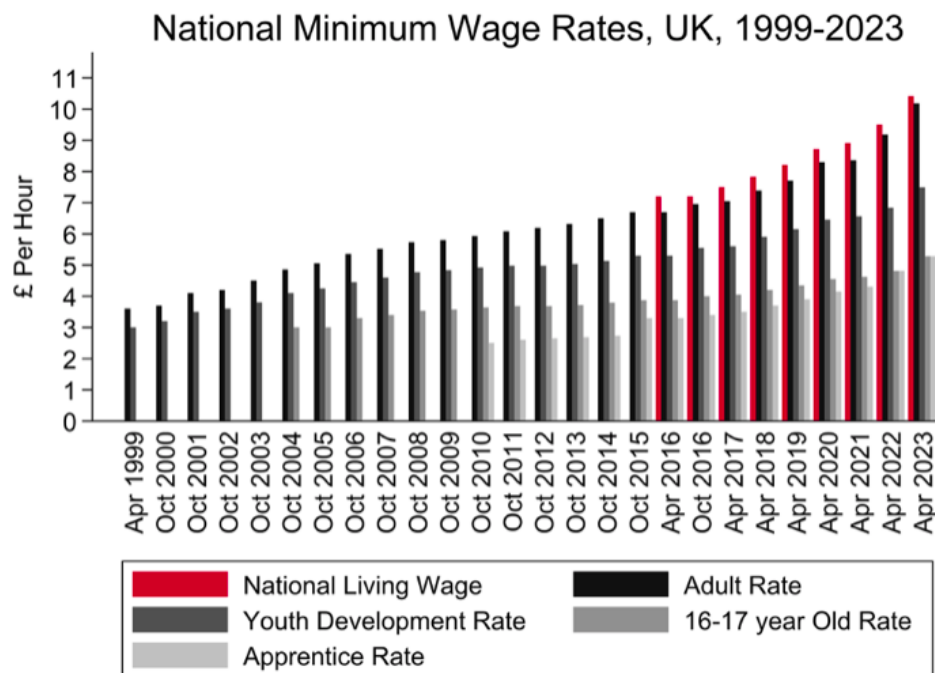


Figure 7: National Minimum Wage, UK (Source: Machin, S., 2024)

5.2 Economic Factors

The UK economy has faced several economic challenges in recent years. Inflation has been a significant issue, reducing consumers' purchasing power, as seen in figure 8. In an environment of higher inflation, Tesco needs to ensure its products remain affordable for customers (Office for National Statistics, 2021). Rising costs, such as for transportation and energy, could make it harder for Tesco to offer lower prices while maintaining profitability (Chadha, 2021).

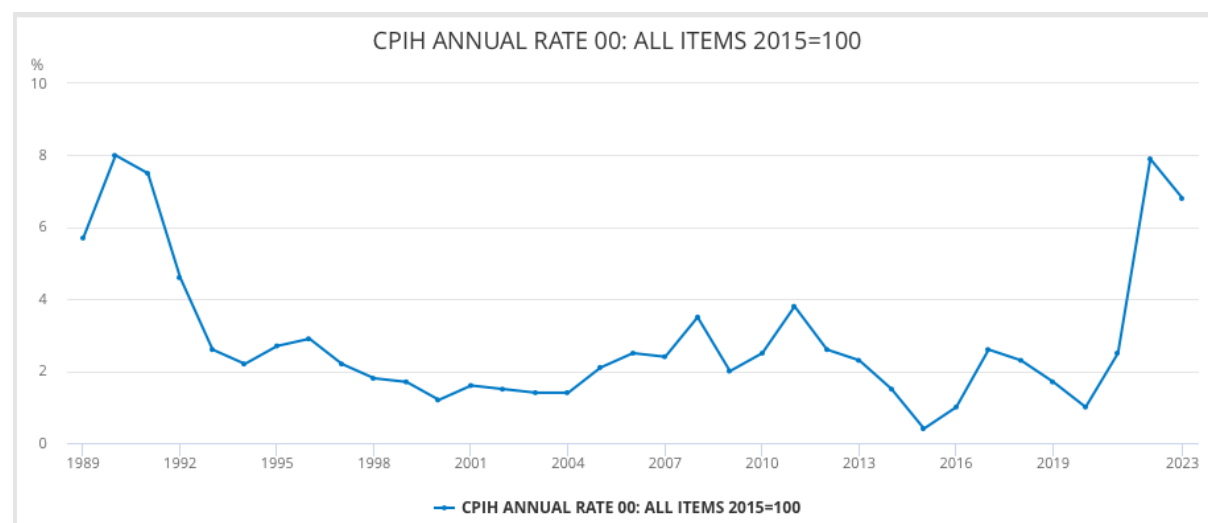


Figure 8: UK'S Inflation (Source: Office for National Statistics ONS, 2024)

From a microeconomic perspective, employability within Tesco plays a crucial role in its operational efficiency and customer service quality. Tesco's ability to attract, train and retain a skilled workforce directly impacts its productivity and profitability. Investment in employee development programs, such as apprenticeships and training initiatives, as they are doing so far is helping to enhance the employability of its staff, fostering a more effective and motivated workforce. "Tesco plays a critical role in regional and local economies across the UK, supporting between 1% and 4% of all jobs in every region" (Ken Murphy, 2021).

On the macroeconomic side, employability is influenced by broader economic conditions such as unemployment rates and labour market trends. In the UK and other regions where Tesco operates, including Slovakia, Ireland, Hungary, and the Czech Republic, economic growth affects job creation and disposable income. Higher employment levels lead to greater consumer spending, benefiting Tesco's sales. Conversely, economic downturns or rising

unemployment can limit consumer spending power, affecting demand for both essential and non-essential products.

Tesco also faces challenges related to labour mobility post-Brexit, as restrictions on the free movement of workers between the UK and EU countries have made it harder to fill positions, particularly in logistics and supply chain roles. This has increased recruitment costs and placed additional strain on the company's ability to maintain efficient operations (Mack, J., Putzschel, J. 2014).

On the international part, Tesco operates in markets with varying economic conditions, such as the fast-growing economies in Slovakia, Ireland, Hungary, and the Czech Republic. GDP growth in these regions directly impacts disposable income levels, influencing demand for premium and private-label products.

Another factor is currency fluctuations, especially after Brexit. A weaker pound has made imports from the EU and other countries more expensive. This is particularly problematic for Tesco, which sources a significant quantity of products from abroad. If currency exchange rates do not change favourably, it could lead to higher costs for food and other goods, putting pressure on profit margins (Baker and Forrester, 2021).

Moreover, economic uncertainty in the UK due to factors such as global market volatility and the COVID-19 pandemic has had a direct effect on consumer spending habits. People are becoming more careful with their money, affecting demand for luxury or non-essential goods, which could impact Tesco's overall sales (Stojanovic, 2020).

5.3 Social Factors

One of the most significant social trends is the growing focus on health and wellness. As more consumers choose healthy lifestyles, there is increasing demand for organic, low-calorie, and plant-based foods. Tesco has continued its ongoing work to make it easier to choose healthier foods. "Since 2018, the company has removed over 50 billion calories from its products" (Tesco, 2021).

Tesco has responded by expanding its healthy food range, but this requires managing relationships with new suppliers and making adjustments to its supply chain (Bryant et al., 2021). The increasing health awareness also means that Tesco has to deal with the challenge of adapting to changing dietary trends, while balancing costs (Smith, 2020).

Moreover, the rise in online shopping has altered the retail landscape. Tesco has seen an increase in demand for online grocery shopping, especially after the pandemic. The company has invested heavily in improving its online infrastructure and delivery services to meet this demand (Tesco PLC, 2023).

As mentioned earlier, Tesco also operates in different international markets, meaning Tesco has to adapt its offerings to meet the needs and preferences of different consumers groups. Additionally, social changes like changing family structures and demographic shifts, such as an aging population, affect the demand for certain products. Older customers may seek convenient, ready-to-eat meals, which Tesco has had to respond to with innovations in product offerings (Chaudhuri, 2021).

5.4 Technological Factors

Automation and artificial intelligence (AI) have become vital for Tesco to stay competitive. The company has implemented self-checkout machines and is increasingly using AI to manage stock and predict customer demand (Brynjolfsson and McAfee, 2014). These technologies help Tesco operate more efficiently, reduce costs and improve the customer experience by speeding up transactions and preventing stockouts.

However, the rise of e-commerce and the growth of online-only retailing are challenges. Companies like Amazon and Ocado, which do not have physical stores, offer fast and reliable delivery options. Tesco needs to continue investing in its online services to compete with these businesses and maintain its share of the market (Srinivasan, 2020). This involves improving website functionality, customer engagement through apps, and ensuring fast, reliable deliveries.

Moreover, the growing importance of data protection and cybersecurity means that Tesco must invest in securing customer data. The implementation of GDPR in the EU and the UK has made it crucial for Tesco to ensure its systems protect customer privacy (Gellman, 2021).

5.5 Environmental Factors

Tesco faces pressure to be more sustainable in how it operates. One area of focus is reducing plastic waste, as customers are becoming more environmentally conscious (Walsh, P. 2005). Tesco has already started initiatives to reduce plastic packaging and promote reusable

alternatives (Tesco PLC, 2023). This also includes working on reducing food waste, as customers want to see responsible actions taken by large retailers (Rebelo and Lima, 2021).

In addition, carbon emissions have been a major focus. Tesco has committed to achieving net-zero carbon emissions by 2050, which means it will have to make significant changes in how it operates its stores, warehouses, and supply chains (Tesco PLC, 2023). This may involve shifting to renewable energy sources, improving transportation logistics, and making their supply chain more sustainable. These changes are costly but necessary to maintain consumer loyalty and meet government regulations on climate change (Leclercq-Vandelannoitte et al., 2019).

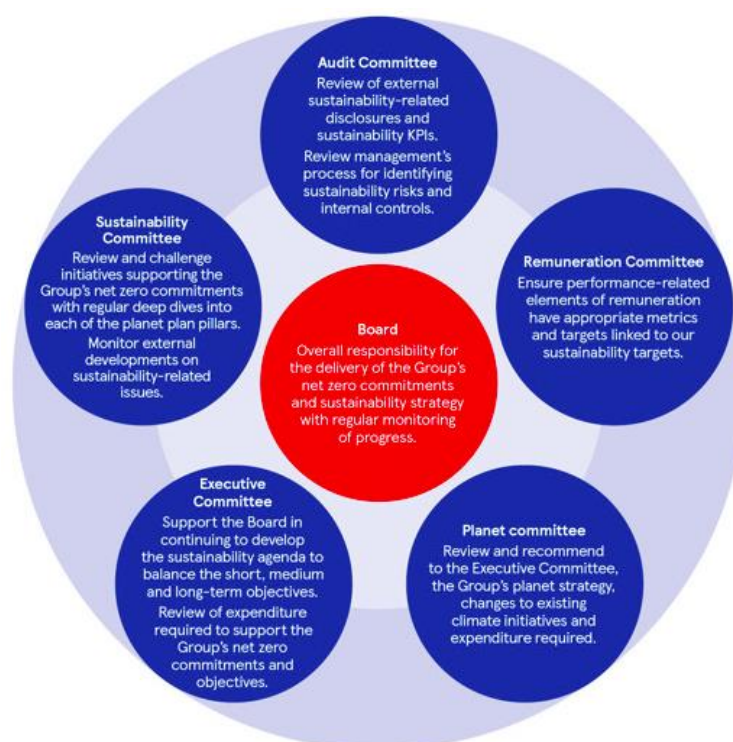


Figure 9: Tesco sustainable team (Source: Tesco's report, 2021)

5.6 Legal Factors

One important legal consideration for Tesco is data protection laws, especially with the rise of online shopping. The General Data Protection Regulation (GDPR) requires Tesco to ensure that customer data is kept safe and secure. Failing to comply could lead to fines and damage to Tesco's reputation (Gellman, 2021).

Furthermore, changes in employment laws, such as minimum wage increases, impact Tesco's operating costs. The company employs tens of thousands of staff across various countries, and changes in labour laws affect its ability to control costs effectively (O'Neill, 2020).

6. Porter's Five Forces Analysis of Tesco

Tesco is a highly competitive retail market both in the UK and internationally, facing competition from major local players as shown in figure 1 such as Sainsbury's, Asda and Morrisons, as well as cost-focused discounts chains like Aldi and Lidl (Rastogi, N., Trivedi, M.K., 2016). On a global scale, it competes with big winners such as Carrefour and Walmart, along with the growing influence of online platforms, Amazon. The competitors put pressure on Tesco's pricing, product variety and market share

Using the Five Competitive Forces framework, introduced by Michael E. Porter (1980), known as techniques for analysing industries and competitors which has become a foundational tool to understand industry structures and guiding strategic decision-making.

Porter identified five forces that influence competition and profitability in any industry: the threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products or services, and industry rivalry. These forces collectively determine the intensity of competition and the attractiveness of a market. A sound corporate strategy aims to position the organisation advantageously by influencing these forces to its benefit (Tomas, D.A. and Ely, R.J., 1996)



Figure 10: Porter's Five Forces Model (Source: Planiumpro, 2024).

6.1 Threat of New Entrants

This theory refers to new market competitors that are introduced to compete with existing organisations. At the present time, threats in the UK record retail industry, particularly in the grocery sector, is relatively low but not insignificant. For new competitors to enter the market, significant capital investment is required to establish supply chains, distribution networks and physical stores. Tesco benefits from economies of scale, which allow it to lower costs and provide a diverse product range, making it difficult for new entrants to compete on the same level (Porter, 1980).

Tesco has built a strong brand reputation and customer loyalty over decades. However, the rise of discount retailers, such as Aldi and Lidl, shows that new competitors with a focus on low prices can disrupt the market. These discount retailers are expanding rapidly and attract more customers, which has begun to reduce Tesco's market presence and revenue share in the industry (Wood, Z. ,2019)

6.2 Bargaining Power of Suppliers

The bargaining power of suppliers in the grocery industry is relatively moderate. While suppliers generally have the power to influence prices, Tesco is a major player in the market, which gives it significant leverage over suppliers. As the UK's largest supermarket chain, Tesco is able to negotiate lower prices and better terms due to its purchasing power (Grant, 2020).

Tesco has strong relationships with suppliers due to its size and market position which allows it to negotiate favourable terms. However, the rise of private label brands and competition from other retailers has pressured suppliers to provide better value. For example, fair trade and environmental standards has made some suppliers more crucial, especially when consumer demand for organic and ethically sourced products rises (Kotler et al., 2015).

6.3 Bargaining Power of Buyers

The bargaining power of buyers in the UK grocery market is high. Consumers have a wide range of choices when it comes to where they shop, and the ease of comparing prices through various online platforms has empowered consumers to seek out the best deals. This has led to price sensitivity, especially in the face of rising living costs (Wood, Z. ,2019).

Tesco, however, benefits from its loyalty programs (such as the Clubcard) and diverse product offerings, which help retain customers despite the presence of numerous alternatives (Thompson et al., 2020). The growing demand for healthier products, sustainability, and convenience also places pressure on Tesco to innovate its product range and services, ensuring that it meets the expectations of increasingly informed and socially-conscious consumers (Barney, 2006).

6.4 Threat of Substitute

The threat of substitutes is a crucial force affecting Tesco. The rise of online grocery shopping, particularly through platforms such as Amazon Fresh, creates significant competition for Tesco's international operation. Consumers are increasingly opting for the convenience of home delivery services or click-and-collect models (Mollenkopf, D., et. al., 2020).

Moreover, local retailers may also pose a threat, particularly those that offer specialised or culturally tailored products that better meet the of consumers in international markets. For instance, local grocery stores in countries like Slovakia might cater better to local tastes and preferences, offering specific products that Tesco does not provide (Jones, 2019).

Nationally, the growth of convenience stores and specialist retailers offering organic or local produce, such as Whole Foods, has further diversified the options available to consumers. The health-conscious trend among UK consumers, particularly regarding organic and plant-based foods, is also creating more substitutes (Kotler et al., 2015). Despite this, Tesco is working to reduce the threat by expanding its online services and ensuring its stores cater to consumer preferences for fresh, healthy, and locally sourced produce.

6.5 Industry Rivalry

The rivalry among existing competitors in the grocery industry is intense. Tesco competes with major players such as Sainsbury's, Asda, Morrisons, Aldi and Lidl. The competition is fierce, especially in price and product differentiation. While Tesco maintains the largest market share, Aldi and Lidl's low-price strategies have captured significant portions of the market, forcing Tesco to adapt its pricing strategies and focus on value through promotions and its private-label products (Chadha, R., 2021).

The rise of e-commerce has intensified rivalry, with online grocery shopping increasing as a significant channel (Grant, 2020). Tesco's strategy of maintaining a diverse store portfolio, expanding its online services, and providing value through loyalty schemes helps mitigate some of the competitive pressures, but competition remains a constant challenge.

Moving to Ireland, Tesco has long been a dominant player in the grocery retail market, however, it faces strong competition from Dunnes Stores and SuperValu, which have deep consumer loyalty. Also, in countries like Slovakia, Hungary and the Czech Republic, Tesco is competing with Carrefour, Ahold Delhaize and locals which are seeking to expand their market share. Tesco has had to adjust its pricing and promotional strategies to maintain competitiveness in these markets to be able to keep their stores in these countries and avoid failing like in Poland (Mollenkopf, D., et. al., 2020).

7. SWOT Analysis of Tesco

A SWOT analysis allows organisations to thoroughly evaluate their position within a specific market or industry. According to the Kansas University, understanding the current situation can greatly aid strategic planning and decision-making. This method's simplicity and adaptability make it applicable to various operational levels and sectors.

By using a SWOT analysis, organisations can identify and leverage their internal strengths and external opportunities while addressing weaknesses and threats. As shown in Figure 10, distinguish between Strengths and Weaknesses are the internal factors being the ones that the organisation is in control and external factors are those which the company are not in control, Opportunities and Threats (Ioannou, Charlie).

In Tesco's case, it is crucial to evaluate strengths, weaknesses, opportunities, and threats within both the UK and international markets, particularly in light of external economic and political challenges.



Figure 11: Internal and External factors (Source: Canva, 2024)

7.1 Strengths

Charlie Ioannou defines strengths as “the resources and capabilities that can be used to develop a competitive advantage” (Ioannou, 2012).

Tesco remains one of the most successful and dominant retailers globally, particularly in the UK, where it holds a significant market share of 28.1% (Kantar, 2024). Its extensive store network includes more than 4,800 locations worldwide, which allows it to cater to a broad customer base and maintain a strong retail presence (Tesco, 2024). Tesco's ability to offer a diverse product range, from groceries to clothing and household items, ensures customer satisfaction and positions it as a "one-stop shop."

The company is renowned for its competitive pricing strategies and quality assurance. Initiatives like "Aldi Price Match" have strengthened its reputation for affordability, attracting cost-conscious shoppers while maintaining product quality (Euromonitor, 2024). Customer trust is a cornerstone of Tesco's success; many UK shoppers feel a sense of familiarity and comfort when purchasing Tesco products, which fosters strong brand loyalty.

Financially, Tesco is in a robust position, generating £2 billion in free cash flow annually (S&P Global, 2024). This stability enables the company to invest in store improvements, private label offerings, and technological advancements, ensuring it remains competitive in the ever-changing retail landscape.

7.2 Weaknesses

While Tesco leads in the UK and Europe, its performance in other international markets has been inconsistent. Tesco's ventures in markets such as Poland and Asia have not been entirely successful. Its exit from these regions was prompted by rising costs, supply chain issues, and a failure to compete effectively with local competitors (Hughes, 2020). A lack of localised research and planning has hindered its ability to compete effectively outside its core markets.

Tesco has also struggled with designing strategies to combat competitive pressures in certain regions. For example, the rise of discounters like Aldi and Lidl has highlighted gaps in Tesco's pricing strategies. Additionally, its product offerings sometimes lack alignment with local tastes and preferences, which impacts sales.

7.3 Opportunities

Tesco has several opportunities to strengthen its position further. Expanding its private label product range presents a significant chance to increase profitability, as these products typically offer higher margins and appeal to budget-conscious consumers (IGD, 2024). By investing in exclusive, high-quality and private-label lines, Tesco can differentiate itself from competitors.

The company's online presence and delivery services are another area of growth potential. Taking advantage of the increasing popularity of e-commerce, Tesco can further expand its online grocery offerings and enhance delivery services, especially catering to elderly customers or those with limited mobility. The rapid adoption of technology in retail provides Tesco with an opportunity to innovate and streamline its operations further (McDonald, M. and Wilson, H., 2011)

7.4 Threats

Tesco faces ongoing threats in its home market and globally. The competitive retail environment, marked by the rapid expansion of discounters like Aldi and Lidl, continues to erode its market share. These competitors offer lower prices, compelling Tesco to continually refine its pricing strategies (Kantar, 2024).

Economic factors also pose challenges. While inflationary pressures are easing in the UK, many consumers still have limited disposable income, leading to cautious spending habits. This environment heightens competition and pressures retailers to offer value for money without compromising quality (Wheelen, T. L. & Hunger, D. J., 2002)

Additionally, regulatory changes, such as new government policies and labour laws, could impact Tesco's operations. The rise in the UK's minimum wage increases labour costs, adding further financial pressure. Changes in health regulations, like stricter guidelines on sugar and processed foods, may require adjustments to product ranges, affecting costs and operations. As well as, Post-Brexit changes in trade regulations and increased costs in importing goods have added complexity to Tesco's supply chain. The retailer must manage these challenges to avoid supply disruptions and cost increases, which could affect its pricing strategy (Christodoulou & Cullinane, 2019).

<u>Strengths</u> -Strong presence in the UK market. -Developed loyal customer base through quality and service. -Strong financial position, enabling reinvestment.	<u>Weaknesses</u> -Struggles replicating success in international markets. -Reliant on UK market, vulnerable to local economic shifts.
<u>Opportunities</u> -Expansion of private-labels products for higher margins. -Growth potential in online services and sustainability.	<u>Threats</u> -Increased competition from discounters like Aldi and Lidl. -Economic pressures and reduced consumer spending -Supply chain issues post- Brexit

Table 2: SWOT'S Table

8. Conclusion

Tesco's current position in the international market demonstrates its reputation as one of the most prominent and well-respected retailers, particularly within the UK and specific European countries such as Ireland, Hungary, Slovakia, and the Czech Republic. Its ability to maintain a leading market share domestically, paired with its strong financial performance and loyal customer base, underscores Tesco's effectiveness in navigating competitive pressures and adapting to changing market conditions. The company's commitment to affordability, customer satisfaction, and innovative approaches, such as private-label products and advanced online retail platforms, reinforces its position as a market leader.

Despite all of this, Tesco's performance in international markets has not been uniformly successful. The exit from Poland and Asia reflects challenges such as logistical inefficiencies, cultural misalignment and higher operational costs relative to competitors. These decisions underscore the importance of regional customisation and strategic focus, but Tesco's robust operational foundation and focus on innovation present opportunities for growth and overcome weaknesses.

The past microeconomic decisions, including investments in pricing strategies, supply chain efficiency and the expansion of its online presence, have supported Tesco's adaptability and competitive edge, moving forward, the company must refine its approach to international markets, ensuring a deeper understanding of cultural and consumer dynamics. Developing localised strategies, fostering partnerships with regional suppliers, and leveraging advanced technologies like AI for inventory management and customer insights will be primordial.

To remain competitive, Tesco must also address emerging threats, such as the rise of discount retailers and economic uncertainty, which affect consumer purchasing power. By emphasising sustainability, affordability, and accessibility, Tesco can adapt to evolving consumer priorities. Their investment in omnichannel retailing, seamlessly integrating online and in-store experiences which can strengthen its market position while catering to diverse consumer preferences.

Tesco's decisions to withdraw from certain international markets, highlight the importance of measured expansion driven by thorough market analysis and a long-term profitability focus. By addressing past missteps, such as insufficient research into regional demands, and reinforcing strengths like its customer-centric approach and innovation in delivery services,

Tesco is well-positioned to maintain its leadership in retail. Strategic decisions aimed at expanding private-label offerings, improving cost efficiency, and aligning with sustainability goals will ensure Tesco's growth and adaptability in a competitive global landscape. Ultimately, Tesco's ability to balance its strengths, mitigate threats, and leverage opportunities will determine its future success in the ever-changing international market.

9. Recommendations

Strategy implementation occurs when an organisation adopts organisational policies and practices that are consistent with its strategy (Barney and Hesterly, 2006). The strategies that the author will recommend to Tesco to success in the future will be as follows:

1. Expand Personalised Nutrition and Health Services

Introduce tailored health and wellness initiatives through partnerships with tech companies. For example, Tesco could use customer data to recommend personalised dietary products, leveraging health trends and fostering deeper customer loyalty.

2. Develop Tesco as a Circular Economy Leader

Adopt a circular supply chain process to recover used packaging and improve recycling efforts. Tesco could innovate by piloting reusable container schemes across its stores and incentivising customer participation, aligning with growing environmental concerns and legislation.

3. Accelerate Smart Store Development

Introduce automated, checkout-free stores in new regions to address customer demand for convenience and reduce operational costs. These stores would use AI-powered systems for inventory management and payments, improving efficiency and customer satisfaction.

4. Launch Community-Based Retail Strategies

Create programs tailored for smaller communities, particularly in rural areas of the Czech Republic and Slovakia, where competition with discount retailers is intense. Opening "micro stores" and integrating local products can strengthen Tesco's market presence in underserved regions.

5. Enhance Data-Driven Decision-Making

Develop an advanced analytics platform to track customer trends in real-time, focusing on emerging markets. These insights could inform product offerings, marketing, and pricing strategies, particularly in regions where Tesco has faced challenges.

6. Diversify Revenue Streams Beyond Retail

Explore opportunities in non-retail areas, such as launching Tesco-branded financial services or subscription-based meal kits designed for specific dietary preferences. These initiatives can provide alternative revenue streams and build brand equity.

7. Develop Post-Brexit Trade Partnerships

Strengthen regional supply chain networks by collaborating with suppliers in Hungary, Slovakia, and the Czech Republic. This can mitigate risks associated with cross-border tariffs and regulations post-Brexit. Establishing new trade agreements with EU-aligned partners is also critical for long-term cost stability.

8. Drive Workforce Innovation

Expand beyond standard employee training to introduce workforce innovation hubs where staff can contribute ideas for operational improvements and new customer solutions. Encouraging participation in innovation fosters motivation and builds a culture of creativity.

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