

Principles of Marketing

Component 2: Coursework: Group Report

Chosen Company: *Tesco*

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Evaluating Tesco UK's Marketing Strategy in a Dynamic Retail Environment: An Integrated Analysis of Competitive Position and Sustainable Growth

1. Introduction and Mission

Tesco UK is a well-established and large retail company in the world that deals with grocery, clothing, financial services and online retail (Smith, 2023). Tesco was established in 1919 and has established a good reputation for quality, affordable and convenient shopping, which has seen it retain a leading market share in a very competitive UK retail market (Brown and Patel, 2022). The success of the company is attributed to the large number of stores, effective supply chain management, and investment in digital transformation via online shopping and mobile apps.

The purpose of this report is to develop a strategic marketing plan that will enhance the overall level of sales of Tesco UK and enhance its competitive positioning. It will examine the internal and external environmental forces that affect the operations of Tesco and, thereafter, formulate marketing strategies using the STP (Segmentation, Targeting and Positioning) framework and the 7Ps marketing mix model (Johnson, 2023). The report will also suggest implementation and control mechanisms to measure performance and keep it on track with corporate objectives.

Tesco has a mission which is to serve customers a little better every day, indicating that it is customer satisfaction oriented, value creating and supporting communities (Tesco, 2024). The given marketing plan aims at reinforcing the position of Tesco in the market through the use of digital innovations, increased interaction with customers, and sustainable business practices.

2. Situational Analysis (PEST Analysis)

Political Factors

Tesco has a relatively stable but highly regulated UK retail environment, whereby government policies, taxation, and trade laws play a key role in business operations. The trade barriers that have been caused by Brexit have increased the costs of imports and delays in supply chains, forcing Tesco to review sourcing decisions and pricing

frameworks (BBC, 2024). Sustainability policies of the UK government, including carbon reduction targets and waste management policies, also impact Tesco operations and supply chains. On the same note, Marks and Spencer (M&S), which is another leading retailer in the UK, is not an exception since it is struggling with the same issues, such as meeting fair-trade requirements and sustainability objectives as set by the government. To keep on track with the changes in regulations of imports, employment laws, and tax systems that define the retail environment, both companies need to be politically nimble to ensure compliance, safeguard their reputation, and adjust to changes in the taxation and employment laws.

Economic Factors

The current crisis of the cost-of-living and high inflation in the UK has decreased disposable incomes, compelling consumers to be more price-sensitive (ONS, 2024). Tesco has retaliated with value-based pricing like Clubcard Prices and Aldi Price Match to maintain its low-cost and customer loyalty. In the same vein, Sainsbury has concentrated on its Nectar Prices program to compete on price and stay engaged with the consumers. Tesco has a better supply chain and product diversification, which allows the company to withstand cost pressures compared to other smaller retailers. However, the increasing energy and logistics expenses are still influencing profit margins. Operational efficiency, the growth of own-label produce, and the emphasis on value-based promotion are the keys to Tesco staying competitive in the demanding economic environment of the UK.

Social Factors

Convenience, ethical considerations, and environmental awareness are turning out to be the core motivating factors among UK consumers (Euromonitor, 2024). There has been a substantial increase in the online grocery shopping demand, plant-based products demand, as well as local sourcing. These social trends have been exploited by Tesco in its efforts to launch products such as Tesco Online and Tesco Wicked Kitchen, and Tesco Plant Chef. In addition, its community involvement initiatives, such as Tesco Community Grants and Tesco food redistribution schemes, reinforce its social responsibility image. Similarly, Co-op pays a lot of attention to ethical retailing, sourcing locally, and supporting communities-emphasizing a rising consumer demand throughout the retail industry of

socially conscious brands. The fact that Tesco has been keeping up with the changing social values adds to its brand image and the establishment of long-term customer loyalty.

Technological Factors

The business model of Tesco revolves around technological development. Data analytics provided by the company helps to understand consumer behaviour and offer personalised promotions by using the Clubcard program (Deloitte, 2023). It has also implemented self-checkouts, mobile payment systems, and tracking delivery to make the experience more convenient. The investment in e-commerce and digital logistics enables Tesco to compete favorably with its key online competitors. Similarly, Aldi and Lidl are developing digital activities, but Tesco has a technological advantage due to its size and the infrastructure of an omnichannel. Ongoing AI, automation, and data-driven decision-making will assist Tesco in maintaining its competitive edge and enhancing efficiency in its retail and online business.

Environmental Factors

Environmental sustainability is one of the critical issues that affects the long-term strategy of Tesco. The company has initiated the goal of becoming net-zero carbon emissions by 2050 and reducing 50% of food waste by 2030 (Tesco Sustainability Report, 2024). It is investing in renewable energy, sustainable packaging and environmentally friendly transportation. IKEA, comparatively, has been at the forefront in environmental stewardship by adopting the concept of the circular economy and investing in a carbon-neutral supply chain-setting a precedent to other large retailers such as Tesco. By incorporating sustainability into its brand name and business, Tesco builds its corporate image and consumer confidence, addressing the growing client demand for businesses that are eco-friendly.

Legal Factors

Tesco needs to adhere to several UK and EU laws related to food safety, labour, competition, and data protection. Tesco is regulated by the General Data Protection Regulation (GDPR) to address the privacy and transparency of customer data management (UK Gov, 2024). Food safety and labelling standards issued by the Food Standards Agency (FSA) are also to be fulfilled by the company. Similar to Sainsbury and Morrisons, Tesco has to maintain the employment law in terms of fair wages, diversity,

and inclusion. By following these legal frameworks, the risk of fines or reputational damage is not only reduced, but the consumer confidence in the ethical governance of the brand is increased.

PESTLE Implications Conclusion

On the whole, Tesco is subject to a dynamic and challenging macro-environment that is shaped by political, economic, social, technological, environmental, and legal forces. Although there are threats of inflation, supply chain issues, and regulatory risk, Tesco has a very strong position in the UK retail market with its strong strategy that focuses on sustainability, digital innovation, and value-based pricing. Through the experience of similar companies, like M&S, Sainsbury, and IKEA, Tesco can keep evolving, building resilience, and retaining its reputation as a trustworthy, customer-focused, and socially responsible company.

3. Marketing Strategy

3.1 Segmentation, Targeting, and Positioning (STP)

Market Segmentation

Tesco applies a multi-dimensional segmentation strategy in achieving its broad and diversified customer base within the UK.

- **Demographic segmentation:** Tesco mostly focuses on families, working adults and middle-income consumers who are concerned about affordability and convenience. Its product portfolio targets different age and income categories, including basic and luxurious products (Tesco, 2024).
- **Geographic segmentation:** Tesco has various store formats to suit the local requirements, which include large Tesco Extra stores in the suburban and rural regions and Tesco Express stores in the urban areas to provide easy access to daily products.
- **Behavioural segmentation:** Tesco targets the customers who attach importance to loyalty programs, frequent discounts, and convenience. Its Clubcard loyalty program is a rewarding one for frequent shoppers, giving them personalised deals and exclusive offers on the basis of shopping behaviour.

Equally, Sainsbury adopts the demographic and behavioural segmentation and targets more middle- and upper-income consumer groups with its Taste the Difference line,

emphasising freshness and quality (Sainsbury's, 2024). Both Tesco and Sainsbury customise their segmentation strategy to meet a diversity of shopping needs and preferences in economic and lifestyle segments.

Targeting Strategy

Tesco has adopted a differentiated targeting strategy that has seen it attract different market segments based on different product lines and services. The Everyday Value line is aimed at affordable consumers who want low-priced necessities, and Tesco Finest is aimed at the high-end customers who appreciate quality and gourmet products. Another group of customers that the company aims to serve is tech-savvy and convenience-driven individuals, through the use of a robust online delivery and click-and-collect platform.

On the other hand, Aldi pursues a narrow targeting strategy, targeting price-sensitive customers with a smaller and cost-effective range of products. The wide-based targeting strategy that Tesco employs will give the company flexibility and strength to cater to all income groups and remain dominant in the market despite the unpredictable economic times.

Positioning

Tesco focuses on positioning itself as a value-based and community-oriented retailer that offers affordability, convenience and trust. Its slogan, every little helps reflects its intentions on enhancing customer experience and contributing to local communities. The brand is seen as a reliable, inclusive, and socially responsible brand.

On the other hand, Sainsbury is a quality retailer with a Live Well for Less brand and is more concerned with taste and product quality. Whereas Sainsbury focuses on quality, Tesco focuses on affordability, social involvement and customer loyalty, making it a household brand with emotional and social appeal throughout the UK.

3.2 Integrated Marketing Communication (IMC) Strategy

The IMC strategy implemented by Tesco incorporates the use of traditional media, digital innovations, and community engagement in order to provide a single brand message.

- **Conventional advertising:** Tesco is still investing in traditional advertising in the form of television, print, and radio advertisements to ensure that it is seen by mainstream audiences.

- **Digital interaction:** Tesco provides personalised offers through data analytics on the Clubcard app and website, including email, mobile notifications, and social media campaigns. Such online communications improve interaction and brand loyalty.
- **CSR and sustainability marketing:** Tesco shares the information about its ethical values in campaigns on the topics of community actions, food donations, and sustainability success (Tesco Sustainability Report, 2024).

Equally, IKEA has a consistent IMC strategy that incorporates the use of online storytelling, in-store experiences, and sustainability communication to establish a powerful emotional bond with customers (IKEA, 2024). Whereas IKEA has its orientation on lifestyle and design innovation, Tesco is more relational in its communication, which is value-oriented, trust-oriented, and everyday relevant.

3.3 Ansoff Matrix Application

Market Penetration: Tesco enhances its market share by offering Clubcard Prices, seasonal offers and specific loyalty programs, which encourage customers to buy again and stay loyal.

Product Development: Tesco is constantly innovating new product lines, including Plant Chef and Wicked Kitchen, which respond to the evolving consumer trends towards healthy and plant-based eating.

Market Development: The company is increasing its Internet presence and expanding delivery to new territories, expanding into rural and underserved areas with Internet development.

Diversification: Tesco has expanded past grocery retail into financial services (Tesco Bank), into telecommunications (Tesco Mobile), and even into clothing under F&F. This diversification ensures that the company is not overly reliant on the grocery industry and builds a strong brand portfolio.

Likewise, IKEA applies the diversification strategy through the use of renewable energy and home improvement services. Tesco and IKEA use the Ansoff Matrix in a strategic manner to determine the growth prospects, nurture creativity, and maintain the competitive edge in the evolving markets.

4. Marketing Mix Strategies (7Ps)

Product

Tesco has a very diversified product range which comprises grocery, clothing, household products, financial services, and telecommunication. Its product strategy aims at delivering value, quality and variety to match customer needs of a large customer base. Tesco has its own brand portfolios such as Tesco Everyday Value, Tesco Finest, and Plant Chef, which represent various incomes and lifestyles, and are affordable and high-quality (Tesco, 2024). Emergence of sustainable products and plant products also matches the changing consumer preference towards ethical and healthy products.

On the same note, Sainsbury has a similar strategy in its Basics and Taste the Difference product lines, where it concentrates on both cheapness and high quality. A more diverse range, however, such as non-food-based services, such as Tesco Bank and Tesco Mobile, shows that Tesco is more than just a standard grocery store, catering to everyday consumer needs.

Price

The pricing strategy of Tesco is based on value-based pricing and penetration pricing, which is designed to attract and keep customers by offering them affordability and consistency. Its Clubcard Prices program provides special discounts to regular customers, which strengthens the price competitiveness and leads to purchases. Price-matching campaigns, including Aldi Price Match, are also used by Tesco to stay competitive in the market where consumers are becoming more price-sensitive (Tesco, 2024).

Comparatively, Aldi uses an everyday low pricing model, which emphasises cost leadership and simplicity instead of promotions. The strategy of Tesco is based on the principles of low cost and loyalty, which allows the company to maintain customer retention and protect market share against low-cost rivals.

Place

Tesco employs an omnichannel distribution strategy, which is a combination of physical and digital retail channels. It has a large network of stores, which consists of Tesco Extra hypermarkets, Tesco Superstores (mid-sized stores) and Tesco Express (small stores) that are situated in city centres in order to do their shopping. Moreover, Tesco has a robust

online presence and a click-and-collection system, which enables customers to place orders online and have their groceries and other products delivered to their homes or collect them at the store (Tesco Annual Report, 2024).

Comparatively, Sainsbury also combines both physical and online stores, yet Tesco is larger and has greater technological capacity, which gives it an advantage in terms of logistical efficiency. The seamless interdependence between online and offline activities enhances the accessibility of Tesco, convenience to the customers and the general reliability of the services.

Promotion

The promotional strategy of Tesco is a mixture of both traditional and digital marketing tools that help Tesco to maintain a strong and relatable brand image. Its Every Little Helps campaign has still been used to strengthen the emotional attachment and trust by use of television advertisements, print media, and community-based advertisements. Digital marketing programs utilise Clubcard information to customise promotions and reach the customer through email, app alerts, and social media.

On the other hand, IKEA employs a storytelling strategy, which revolves around home living inspirations (in terms of catalogues, influencer partnerships, and sustainability campaigns) (IKEA, 2024). Whereas IKEA targets the aspirations of lifestyle, the promotional strategy of Tesco focuses on emotional connections, value communication, and relevance to the community.

People

Tesco appreciates the fact that customer service and employee satisfaction are the determinants of business success. The company invests in training, development, as well as well-being programs in order to have motivated and skilled employees. Diversity, inclusion, and ethical employment practices at Tesco have improved its image in the eyes of the public and its retention of staff. Equally, John Lewis has been characterised by the employee ownership model that has promoted high levels of engagement and quality of service delivery. The people strategy of Tesco aims to empower and motivate the people so that there is a uniformity in the quality of service offered by the company in its stores.

Process

Tesco has streamlined its business operations using technology and operational effectiveness. The shopping experience is simplified with automated checkout systems, data-based inventory management, and supply chain coordination. Through its digital platforms, it has fast online ordering and delivery, which offer a seamless and consistent service (Deloitte, 2023). On the contrary, Sainsbury also uses the same digital solutions but pays more attention to the in-store experience. The data integration and process innovation of Tesco are used to make the company more consistent in how it treats various customers in touch points.

Physical Evidence

The physical evidence that Tesco possesses is its well-designed stores, branded packaging, uniforms and digital platforms that build up to one brand experience. Customer service, clear signage and clean store layouts are also part of a positive in-store environment. Moreover, its web interface and delivery package are professional and reliable. Likewise, M&S is concerned with the high-end store imagery and packaging to strengthen its brand image. Tesco has strong physical evidence that supports its brand promise of quality, convenience and customer care.

5. Implementation and Control

In the case of Tesco, implementation of its marketing strategy should be supported with clear objectives, key performance indicators (KPIs) that are measurable, and continuous monitoring to keep the business goals in line with the implemented marketing strategy. The most important KPIs are to increase the total sales by 10 percent in 12 months, the customer satisfaction rate should be 95 percent, and Clubcard membership will be increased by 15 percent, and the carbon emission of the operations will be decreased by 25 percent to aid the sustainability objectives (Tesco, 2024). These indicators enable Tesco to track financial growth, customer engagement, operational performance, and environmental impact at the same time. By mapping every KPI to strategic priorities, it becomes possible to allocate the resources efficiently and focus on the improvement of performance.

Another model, known as the Balanced Scorecard (BSC) model (Kaplan and Norton, 1996), offers a holistic method of monitoring performance in four perspectives. Financial perspective is used to gauge profitability, increased revenue and cost-savings. Customer

perspective is concerned with customer loyalty, retention and satisfaction levels. The internal process perspective evaluates supply chain effectiveness, digitalisation, and store operations. The learning and growth perspective assesses the employee engagement, training and development of digital skills.

Tesco can emulate Sainsbury's, which has successfully adopted performance dashboards and sustainability metrics to ensure that there is transparency and accountability (Sainsbury's, 2024). With KPIs coupled with the Balanced Scorecard and lessons learned about best practices of competitors, Tesco will be able to increase its strategic control, enhance decision-making and guarantee long-term sustainable growth in the competitive UK retail market.

6. Conclusion and Recommendations

This marketing approach emphasises the fact that Tesco has a potent market presence in the UK retail market, which is backed by the wide network of stores it has, a well-developed supply chain, and a customer-centric approach. These are strengths that help Tesco to stay on top of the competition as a retailer. Nevertheless, it still faces the challenges of economic instability, changing consumer tastes and pressures on sustainability that have impacted its long-term growth and profitability.

In order to solve these problems, some strategic recommendations are suggested. To begin with, Tesco needs to enhance its sustainability programs by increasing environmentally friendly packaging, cutting carbon emissions and marketing locally sourced goods to the increasing environmental demands. Second, digital transformation, supported by data analytics and AI-based personalisation, will make Tesco more capable of understanding customer behaviour and engaging with them. Third, further investment in the omnichannel services, smooth online delivery and click-and-collect, will make the process more convenient and satisfying to customers.

Besides, Tesco ought to emphasise community-based marketing and corporate social responsibility programs in order to build trust and loyalty among its consumers. Enhancing employee training and engagement will also help maintain the level of service quality in all the outlets.

Using these strategies, Tesco will be able to increase the effectiveness of its operations, retain customers and guarantee further sustainable growth in the UK retail sector, which is continuously developing and trying to become a reliable and creative retailer.

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