

Module Title:	Principles of Marketing
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Introduction

Tesco is a leading multinational retailer operating in the grocery and general merchandise sectors with operations across the United Kingdom and internationally (Ferne, 2023, p. 28). The group employs over 330,000 colleagues and serves customers through a large network of stores integrated with online channels and financial services (Tesco plc.com, 2025). This report applies the PESTLE framework to examine the external political, economic, social, technological, legal and environmental factors that shape Tesco's marketing strategy and to recommend practical actions for marketing managers.

Situational Analysis

Political

Retail policy and taxation shape Tesco's operating costs and location choices. Recent government guidance on retail business rates relief for 2025/26 shows continued public support for targeted relief for shops and hospitality, which affects store economics (Gov.uk, 2025). Rising statutory wage levels also increase labour expenses and influence Tesco's pricing and staffing models, as the National Living Wage for those aged 21 and over rose to £12.21 from April 2025 (Gov.uk, 2024). These political drivers mean Tesco must balance price competitiveness with margin protection by using targeted promotions and by locating formats that match local cost profiles.

Economic

Macro-economic conditions determine customer spending and the value of Tesco's sales. Consumer price inflation in the UK was 3.8% in the 12 months to August 2025, which continues to shape household budgets and food price sensitivity (Ons.gov.uk, 2025). Tesco has responded with value-focused measures and has delivered like-for-like sales growth and market share gains in recent trading, which supports the view that value strategies can protect volume in pressured markets (Hartfield, 2024, pp. 69-70). For marketing, this means that pricing, communications, private label growth and temporary promotions are central to retaining price-conscious shoppers while preserving customer loyalty (Berends and Gerpott, 2023, p. 3172).

Social

Long-term changes in consumer behaviour affect product mix and channel use. Consumers continue to show enduring shifts towards eating at home and seeking convenience since the cost-of-living shock of 2022, which has supported supermarket demand (commonslibrary.parliament.uk, 2024). Research finds that online grocery shopping patterns vary across segments and that convenience and safety remain key motivations for online shoppers (Bauerová, Starzyczna and Zapletalová, 2023, p. 189). Tesco must therefore align assortment store formats and messaging to different segments by offering convenience ranges, healthy options, and clear value communications.

Technology

Technology underpins Tesco's customer experience and supply chain resilience. Tesco reported strong online growth and stated that online sales rose, reflecting investment in same-day delivery and digital services (Piecyk *et al.*, (2021, p. 6). Simultaneously, internet sales accounted for around a quarter of total retail sales in recent months, indicating a persistent channel shift to digital (Ons.gov.uk, 2025). Marketing implications include greater emphasis on omnichannel promotions data data-driven personalisation, and use of Clubcard and retail media to drive conversion online and in-store (Hyväre, 2023, p. 57).

Legal

Food safety labelling and consumer protection law set mandatory constraints on product information and promotional claims. The Food Safety Act provides the legal framework for safe food handling, and the UK rules on giving food information to consumers require clear ingredient and date labelling (Gov.uk, 2022). In practice, Tesco marketing and packaging teams must ensure compliance with advertising product descriptions and online listings to avoid sanctions and reputational damage.

Environmental

Regulation and consumer expectation around sustainability are increasingly material for grocery retailers. Tesco has committed to being carbon neutral in its operations by 2035 and to reaching net zero across its value chain by 2050, which frames corporate priorities for sourcing and packaging (Tesco plc.com, 2025). Research also shows that a majority of adults consider climate change and the environment to be important issues, which creates a commercial incentive for clear sustainability action and credible communication (Ni *et al.*, 2025, p. 1). For marketing, Tesco should market sustainability with transparency while avoiding misleading claims.

Critical Analysis and Evaluation

The PESTLE findings show a clear strategic tension for Tesco between cost pressures and long-term investment needs. UK inflation and tight household budgets increase price sensitivity, which pushes Tesco into aggressive pricing competition to protect volume (MacLachlan *et al.*, 2025, pp. 1-2).

Together, Tesco has a strong opportunity set from digital and omnichannel capability and from scale in private label, which supports value-oriented strategies and more precise targeted promotions. Tesco's sustainability commitments create both reputational advantage and operational obligations that require investment but can differentiate the brand if claims are credible.

From a strategic perspective, the two main risks are sustained price warfare that erodes margins and regulatory cost shocks that raise operating expenses (Theguardian.com, 2025). The two main opportunities are to convert online and loyalty data into higher margin sales through personalisation and to leverage sustainability actions into stronger customer trust among segments that still value environmental credentials (Tesco plc.com, 2025).

Moreover, the resource-based view helps explain why Tesco can exploit these opportunities because its data assets and logistics scale are valuable and hard to replicate by new entrants (Tajeddini *et al.*, 2023, p. 2). Stakeholder theory also clarifies the trade-off between short-term shareholder returns and commitments to colleagues, suppliers and communities, which shape long-term brand equity (Kalyani and Mondal, 2024, p. 111).

Conclusion and recommendations

In summary, Tesco faces immediate economic pressure from inflation and rising labour costs, which increases the need for clear value propositions while also holding advantages in digital reach, scale and sustainability commitments that can be activated for competitive gain.

Recommendations:

1. Maintain a targeted value strategy using Clubcard data to deliver personalised promotions to price-sensitive segments while protecting margin through private label growth and limited-time value campaigns. Evidence shows personalised omnichannel tactics drive conversion and allow precise use of promotions.
2. Accelerate investment in omnichannel fulfilment and data-driven personalisation to increase online basket size and reduce fulfilment cost per order. Omnichannel capability is a durable advantage and supports both convenience-seeking and higher frequency customers.
3. Continue credible sustainability delivery and transparent communication by linking product-level actions to the net-zero targets and avoiding vague claims. Consumer research shows cost pressures reduce willingness to pay for sustainability, but clear combined messages on health value or cost savings can restore relevance.

The situational analysis is appreciated in marketing strategy as it connects external forces to internal resources, allowing managers to focus on actions that safeguard short-term sales and create a sustainable advantage.

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