



Marketing Management

Assessment 2

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Submitted on : 30/08/2023

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Introduction

An evaluation of the external and internal factors of business environment is a crucial part of the strategic decision making for a company. It informs whether the company's value propositions, strategies, operations or plans would succeed in the current business environment or not. By assessing the external factors of the business environment and evaluating the internal factors, a company can align these factors to achieve a strategic fit that it is crucial to succeed in business. For instance, in order to augment marketing strategies with personalization and omnichannel integration, Tesco must first evaluate whether it will face any challenges from the external business environment, and whether it has the relevant internalities in position to support the implementation and execution of the strategy.

External analysis

The analysis of the external factors of business environment is also referred to as the macro-environmental analysis. It involves analysing the economic, political, social, technological, legal and environmental factors of business environment to see how each influence business strategies, operations and plans. As with any other function or strategy across its departments, Tesco also needs to evaluate the external business environment before implementing and executing marketing strategies. Otherwise, the company may face the risk of failed marketing expenditures. A tool that is commonly used for the external analysis of the business environment is PESTLE. It helps marketers gain a deeper understanding of the external macro-environmental factors that can impact their business and the effectiveness of the marketing strategies.

PESTLE analysis

The following is the PESTLE analysis carried to evaluate the external opportunities and threats the marketing strategies of Tesco Plc may have to deal with in the current British retail sector.

Political: Over the past few years, the political landscape in the UK has been experiencing some critical challenges (Statista, 2023). The Brexit in 2020, the criticized government strategies during the pandemic in the same year, the resignation of the elected prime minister in 2022, the controversial fiscal strategies of the former government, and the recent challenges with the immigration crisis, mass protests, etc have negatively affected the business environment (Britannica, 2023). Although the political landscape hasn't harshly affected the business

environment lately, these challenges do limit some growth and investment opportunities (GOV UK, 2023). Especially when the marketing strategies have to do with personalization and omnichannel integration, it is necessary to assess the current regulations regarding data protection and the attitude of the political parties towards the use of public data by retailers (Financial Times, 2023).

Economic: The British economy is one of the strongest economies in the world, ranking fifth on the global scale (Statista, 2023). However, since the pandemic in 2020, the economy has been facing some challenges recovering from slow GDP growth and high inflation rates (The Week, 2020). The UK GDP growth last year was 4.4%, which is 1.0% lower than the expected GDP growth. On the other hand, the inflation rate in the country is currently at 7.9%, which is above average (2.9%) (Statista, 2023). The high inflation rate affects the purchasing power of the public, which has direct impact on the performance of retailers. Furthermore, slow economic growth makes it riskier for businesses to make major investments. (Statista, 2023) The employment rate in the UK has also dropped to 76%, while poverty rate increased to 20% (The Week, 2020). All these makes the economic condition quite challenging for businesses. In this current economic condition, businesses may consider focusing more on managing costs efficiently (Britannica, 2023).

On a positive note, the UK economy is known for its resilience. Therefore, the risks of the current economic issues prolonging are quite low. Furthermore, the current economy is moving more towards advanced digitization of various business activities (The Telegraph, 2020). Considering that, retailers such as Tesco should capitalize on these opportunities to set trends in the industry.

Social: The retailers in the UK have observed significant changes in consumer behaviours, market dynamics, demographics and demands and preferences in recent years (Britannica, 2023). For instance, the retail market is more populated with millennial and Gen Z consumers at this point, making it necessary for retailers to focus more on their needs and the elements of their consumer behaviours (The Telegraph, 2020). When it comes to innovations taking place in the retail sector in the UK, the changing consumer preferences and the growing privacy concerns are the factors that are discussed more commonly (Walden, 2017).

The changes in consumer preferences are pushing for greater digitisation and omnichannel integration in the retail industry (Britannica, 2023). An increasing number of UK consumers are

expecting personalised shopping experiences, which may make Tesco's personalisation strategy more appealing. The need for convenience, on the other hand, is making omnichannel marketing more effective in terms of attracting consumers (The Telegraph, 2020). Thus, the current social environment is presenting businesses with opportunities for digital innovation.

However, while there is a growing inclination towards advanced digital marketing strategies in the consumer market, it is also increasing privacy concerns for retailers (Walden, 2017). As more customers become reliant on increased digital interactions with businesses, this is making the privacy of personal data more vulnerable to cyber criminals (CIPD, 2023). Ultimately, it is pushing retailers to take greater data security initiatives.

Technological: The current technological advancements have paved way for more sophisticated and innovative marketing strategies (Financial Times, 2023). The developments in AI, Big Data and Data Analytics technologies in the UK and the access to these innovative digital technologies can help marketers to fine tune their strategies to interact with customers and develop value propositions based on real time market data. Technological advancements, such as AI and machine learning can help Tesco to provide more effective and efficient personalised experiences (CIPD, 2023). However, as mentioned earlier, the increased reliance on digital platforms and data usage can expose Tesco to higher cybersecurity risks (Statista, 2023).

Legal: The laws and legislations in the UK do not create any major barrier to businesses (TechUK, 2023). However, in the given context, Tesco must comply with the relevant Marketing and Advertising Regulations and Data Protection Laws, when implementing the new strategies (CIPD, 2023). That is, any personalised marketing strategies must comply with UK regulations on marketing and advertising. Furthermore, the implementation of a personalisation strategy must comply with stringent data protection laws such as the GDPR (Financial Times, 2023).

Environmental: Commitment to environmental and social sustainability goals is a megatrend that is currently shaping business operations and marketing strategies across industries (Statista, 2023). As Tesco moves towards digital marketing, it must also consider its environmental impact, particularly in terms of energy usage and electronic waste (CIPD, 2023). The commitment to sustainability goals and current achievements should be informed to customers through marketing communication strategies to attract and motivate more people to buy its products. Personalised

marketing strategies and consumer interactions should facilitate ethical and sustainable consumption by offering sustainable products and value propositions (Statista, 2023).

The PESTLE analysis presented here shows that the main challenges for Tesco could come from the current political and economic landscape. However, the social, technological and environmental factors of the business environment present opportunities that the retailer can capitalise on in its marketing strategies.

Internal/ micro-environmental analysis

To analyse the internal factors of business environment, the consultants have carried out VRIO analysis and SWOT analysis for Tesco. VRIO analysis is the model extracted from the resource-based theory, which identifies the sources of competitive advantage and disadvantages of a company upon assessing the quality of the tangible and intangible resources (Cadogan, 2009).

The findings of VRIO analysis have been presented here;

Resources	Valuable	Rare	Inimitable	Organised	Competitive advantage
Broad product portfolio	Yes	Yes	No	Yes	Temporary competitive advantage
Strong store network/ Market share	Yes	Yes	Yes	Yes	Sustainable competitive advantage
Brand reputation	Yes	Yes	Yes	Yes	Sustainable competitive advantage
Clubcard Loyalty Programme	Yes	Yes	No	Yes	Temporary Competitive advantage
Private label products	Yes	No	No	Yes	Competitive parity
Supply chain network	Yes	No	No	Yes	Competitive parity
Management team	Yes	No	No	Yes	Competitive parity
Technological resources	Yes	No	No	Yes	Competitive parity
Skilled employees	Yes	No	No	Yes	Competitive parity

Organisational culture	Yes	Yes	No	Yes	Temporary Competitive advantage
Profitability (The company doubled its profit since last year, and also showed strong profitability even during the pandemic)	Yes	Yes	Yes	Yes	Sustainable competitive advantage

Table: VRIO analysis (Amin, 2023) (Akers, 2023) (Financial Times, 2023)

Tesco's sustainable competitive advantage would be its brand reputation as one of the largest retailers in the UK. The company's strong brand image has been developed over years of providing high-quality products and customer service (Financial Times, 2023). This is valuable as it helps build customer loyalty and trust. It has a strong market share in the UK, which puts it ahead of the competition (Harvey, 2016). These competitive advantages strengthen the likelihood of the company's new marketing strategies to be more likely to succeed (Hemsley et al., 2020).

The company also has a list of temporary competitive advantages which include the company's loyalty programme and broad product portfolio (Hemsley et al., 2020). Lastly, the company has a rich organisational culture that upholds equality, diversity, customer centricity and learning and innovation (Harvey, 2016).

These tangible and intangible competencies of Tesco will play important role in making the innovative marketing strategies successful.

The findings of SWOT analysis have been presented here;

Strengths	Weaknesses
Strong Brand Presence: Tesco's established brand reputation can facilitate the implementation of the new marketing strategies as customers are more likely to trust and accept changes. (Lauchlan, 2022)	Data Management Challenges: The use of large amounts of customer data for personalisation might pose challenges in terms of data management and security. (Lauchlan, 2022)

Vast Customer Base: Tesco's vast customer base provides a diverse data set for implementing personalised marketing strategies, and to make omnichannel integration more successful. (Shields, 2014) Advanced IT Infrastructure: Tesco's investment in its IT infrastructure provides a solid foundation for the integration of omnichannel services and personalised marketing. (Financial Times, 2023)	High Implementation Costs: The implementation of omnichannel integration and personalisation strategies may require substantial investment in technology, personnel, and training. (Financial Times, 2023)
Opportunities	Threats
Rising Preference for Personalised Experiences: Consumers are increasingly seeking personalised shopping experiences, creating an opportunity for Tesco to strengthen customer relationships and improve customer loyalty. (Hemsley et al., 2020) Increasing Use of Digital Platforms: The increasing trend of online shopping provides an opportunity for Tesco to utilise its omnichannel strategy to provide seamless shopping experiences. (Harvey, 2016)	Data Privacy Regulations: The need to comply with strict data protection regulations, such as GDPR, can limit the extent of personalisation. (Lauchlan, 2022) Competition: Other retailers might also be working on similar strategies, leading to intense competition. (Harvey, 2016) Cybersecurity Risks: With increased reliance on digital platforms and customer data, there is a heightened risk of data breaches, which can negatively impact Tesco's reputation and customer trust. (Shields, 2014)

Table: SWOT analysis (Hemsley et al., 2020) (Lauchlan, 2022)

Recommendations for future

Based on the findings of the macro and micro environmental analysis, the following recommendations can be made for Tesco as it plans to implement strategies for the future.

1. The company should capitalise on the growing shift towards digital economy by investing on advanced digital technologies for personalisation of customer experience and omnichannel integration.
2. The company should use Big Data and Data Analytics technologies to gather current and real time market data to respond to the market demands and needs on an immediate basis and thus, establish itself as a fast-learning retailer in the UK.
3. The company should capitalise on its brand reputation, market share and financial capabilities when implementing innovative marketing strategies that can help Tesco achieve firm competitive advantage in the industry.
4. Tesco should allocate resources carefully on projects that are more likely to generate profits and growth opportunities for the company, given that there is very little scope for mistakes in the current economic and social landscapes.
5. The company should invest in stronger cyber security systems given that the market is getting more reliant on digital technologies for customer interactions, which is creating opportunities for cyber criminals to exploit personal data. The company should invest in top-of-the-line cyber security systems to secure its customer databases and position itself as a secure online retailer.
6. The company should pursue innovation to differentiate its products, and thus, stay ahead of the competition in the intensely competitive retail industry in the UK.

Conclusion

In conclusion, the political and legal landscape, shaped by data protection regulations like GDPR, would require Tesco to ensure stringent data security and privacy practices while personalising its offerings. The rising trend of digitalisation and the increasing consumer expectation for personalised experiences offer promising opportunities. Economically, despite potential high implementation costs, the resilient British economy and growing digital market could support Tesco's efforts. However, the potential for intense competition and increased cybersecurity risks poses significant threats. Internally, Tesco's strong brand presence and advanced IT infrastructure are vital strengths that would bolster the implementation of its new strategies.

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