

Tesco: An Analysis of Business Environment and Competitive Position

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Introduction

Tesco PLC is one of the leading international food and convenience retailers headquartered in the United Kingdom. It operates in the private sector with the main objective of providing a wide range of quality products and services to its customers. Tesco's mission is to be a champion for customers, helping them enjoy a better quality of life and a simpler lifestyle. The company offers a wide range of products, including food, clothing, electronics, financial services and telecommunications. This essay analyzes Tesco's business environment using the PESTEL framework and evaluates its competitive position through a SWOT analysis, showing the usefulness of these tools for the company's strategic success.

PESTEL Analysis

The PESTEL analysis framework identifies the macro-environmental factors affecting Tesco's operations: Political, Economic, Social, Technological, Environmental, and Legal aspects.

Political

Tesco's operations in international markets are greatly influenced by political stability and government regulations. An example is Brexit causing uncertainties and complications in trade agreements and tariffs between the UK and EU, impacting

supply chains and pricing strategies (Wood & Budhwar, 2016). Moreover, alterations in food safety regulations and health policies have the potential to impact operational practices and expenses.

Economic

Tesco's performance is significantly influenced by economic factors like inflation rates, currency fluctuations, and economic growth. The way people spend money and their purchasing power have been affected by the UK's economy after Brexit, as well as the global economic downturn caused by COVID-19 (Davies, 2020). Tesco's strategy of providing affordable products helps lessen the impact of economic downturns on its sales.

Social

Social factors include evolving consumer tastes, demographic changes, and changes in lifestyle. An increase in the desire for healthy, organic, and ethically produced items is being observed (Jones et al., 2019). Tesco has reacted by broadening its selection of organic and Fairtrade goods, matching consumer beliefs and strengthening brand loyalty.

Technological

Tesco's operational efficiency and customer engagement are influenced by technological progress. The advancement of e-commerce and digital platforms has completely transformed the retail industry, demanding investments in online shopping infrastructure and data analytics for customized marketing (Pantano et al., 2017). The "Clubcard" loyalty program at Tesco uses data analytics to analyze customer behavior and customize marketing strategies.

Environmental

Businesses are placing growing emphasis on environmental concerns and sustainability issues. Tesco has pledged to decrease its carbon footprint, reduce waste, and advocate for sustainable sourcing (Tesco PLC, 2023). Tesco's dedication to environmental stewardship is demonstrated through efforts like decreasing plastic packaging and improving energy efficiency in stores.

Legal

Legal factors encompass adherence to labor laws, trade regulations, and corporate governance standards. Tesco is required to follow strict food safety regulations, employment laws, and anti-competition rules in the markets where it does business (Wood & Budhwar, 2016). Legal conflicts and penalties can impact both its image and economic results.

SWOT Analysis

SWOT analysis assesses Tesco's internal strengths and weaknesses and external opportunities and threats, providing insight into its competitive position.

Strengths

1. Brand reputation and market leadership: Tesco is an established brand with a strong market position in the UK and abroad and recognized for its quality and value (Tesco PLC, 2023).
2. Diverse product range: Tesco offers a wide range of products and services to meet different customer needs and improve customer retention.
3. Strong supply chain: Effective supply chain management and strategic partnership ensure product availability and cost efficiency (Davies, 2020).
4. Technological innovations: investments in digital platforms and data analysis increase operational efficiency and customer experience.

Weaknesses

1. Dependence on the UK market: A significant proportion of Tesco's turnover comes from the UK, making it vulnerable to domestic economic fluctuations (Jones et al., 2019).

2. Past ethical scandals: Historical accounting scandals have affected Tesco's reputation and trust among stakeholders (Wood and Budhwar, 2016).
3. High operating costs: A large network of stores and labor leads to high operating costs that affect profitability during economic downturns.

Opportunities

4. Expansion into emerging markets: Expanding operations in emerging markets with growing middle-class populations offers significant growth potential.
5. Sustainability initiatives. Improving sustainability practices can attract environmentally conscious consumers and meet increasing regulatory requirements (Tesco PLC, 2023).
6. Technology integration: Integrating AI and machine learning into operations can improve supply chain efficiency and customer personalization.

Threats

1. Fierce Competition: The retail industry is highly competitive and competitors such as Aldi and Lidl use aggressive pricing and marketing strategies.
2. Financial uncertainty: Global economic instability, including inflation and supply chain disruptions, pose risks to operational stability (Pantano et al., 2017).
3. Regulatory changes. Increased regulations on food safety, environmental practices and labor laws may result in additional compliance costs.

Conclusion

The PESTEL and SWOT analyses offer detailed understandings of Tesco's business surroundings and competitive stance. The PESTEL analysis focuses on external

macro-environmental factors that impact Tesco, while the SWOT analysis examines its internal strengths and weaknesses, as well as external opportunities and threats. These tools are essential for Tesco's strategic planning, assisting in overcoming challenges and capitalizing on opportunities to maintain its position as a market leader. Utilizing these analytical frameworks effectively guarantees Tesco's ongoing triumph in an ever-changing and competitive retail environment.

References

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