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Assignment 1

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Background of Tesco: *What the supermarket giant look like today*



Tesco Plc is a multinational general merchandise retailer and groceries in Britain and is headquartered in Welwyn Garden City, England. The company was established in 1919 by Jack Cohen in Hackney, London (statista.com, 2022). Tesco was the world's third-largest retailer in terms of gross revenues in 2011, and also the 9th largest in the world, in terms of revenue. While operating in 5 nations across Europe, it is the market leader of groceries in the UK, with a market share of about 28.4%. Currently, the company has more than 4,600 shops across Europe. Some of the products offered by Tesco Plc include groceries, clothing, books, electronics, toys, furniture, petrol, financial service, software, internet services, and telecom. As of the year 2021, Tesco generated a revenue of £57.887 billion, and an operating income of £1,815 billion. The net income of Tesco was £6.147 billion in 2021. Studies show that while Tesco's total assets were worth £10.807 billion, its total equity was 12.325 billion. Tesco is a leading multinational retailer with over 345,00 colleagues, who are committed to serve buyers every day with healthy, affordable and sustainable food to ensure better quality of life (tescoplc.com, 2022). Tesco stores can be classified as supermarket, superstore, hypermarket, and convenience store. In 2020, the company's turnover was 64,760 million.

The History of Tesco: *From a small market stall to the largest supermarket chain in the UK*



Tesco was founded in London in 1919 when Jack Cohen started a small market stall to sell surplus grocery items in the East End of the city. He began with the vision of availing affordable food within everyone's reach. In 1924, Cohen introduced Tesco Tea, the first ever own-brand item of the company even before the company was finally named in the same year (tescoplc.com, 2021). The first store was established in 1929 in Burnt Oak that sold Tesco Tea and dry goods. In the 1930s Tesco started expanding to other regions and a new headquarter was established during this period. In fact, Tesco was the country's first-ever warehouse for modern food items. It continued expanding across the city, into the suburbs and eventually into neighbouring countries. During the Second World War, Cohen started rationing for treating everyone in the country equally, poor or rich. Over the following decade, Tesco Supermarket started several self-service stores and obtained mixed reactions at first from customers. After Cohen's passing in 1979, Sir Ian Maclaurin cut prices of 1500 Tesco products by 3% and 26% (tescoplc.com, 2021). In the 21st century, Tesco brought better customer value by putting customers before everything else. Today, the three main areas of focus are improved packaging, wider healthier options and quality.

Product: *Hearty Meals and Marvellous Treats*



Tesco provides wide-ranging choices for every category ranging from self-owned brands, beverages, regional produce, and international cooking items. Tesco does not lack choices and has its own brands for each of its product lines. Some of the well-known brands of Tesco PLC include Tesco Lotus, F&F, Tesco Value and Everyday Value (tesco.com, 2022). However, it must be noted that lead visits determine the ability of a product range.

- Tesco Everyday Value: Tesco is planning to launch brightly priced and brightly packaged food under a specific category. These products will not contain hydrogenated fats, genetically modified ingredients and artificial colours or flavours.
- Tesco Lotus: This brand offers sundry items and food.
- Tesco Value: This brand has a distinctive packaging of striped white and blue.
- F&F: These are the fast-fashion brands of Tesco. It offers a wide range of clothing within the supermarket stores.

The core grocery products of the company include a wide range of items that cater to the everyday needs of the customers. There are special offers on food items within the grocery category of Tesco. The core grocery products of Tesco include Fresh food, frozen food, bakery, summer BBQ, beverages, baby food and products, pet food and products, health and beauty products, household items and home and entertainment products (tesco.com, 2022). Tesco has added many new snacks and breakfast items to its inventory to increase its consumer base. There are new products for cookies, chips, breakfast cereals, and Pringles.

Tesco has a wide range of self-owned brands and some of these brands are worth mentioning that offer heartily meals and marvellous treats. Hearty Food Co. offers lasagne, pizza, cottage

pie and others; H.W Nevill's is specialised in baking products; Grower's Harvest provides oats, tomatoes, juices and other freshly harvested products; Stockwell and Co. sells tea bags, flour, baked beans, sauces and others; Ms. Molly's is known for its biscuits, ice-creams and cakes; Butcher's Choice include deli foods and frozen meats; Creamfields provide dairy products; and lastly, Eastman provides crunchy coleslaw and pork pies (TESCO.com, 2022). Tesco has self-owned products in each of its categories that are sustainably sourced. Some Tesco brands like Rosedene Farms and Suntrail Farms offer farm-based food products. The brands are created for adding value for customers. The aim is to provide quality products at lower prices. These are exclusive products that cannot be found in other supermarkets.

Price: *Quality products at brilliantly low prices*



The key pricing strategy of Tesco is cost leadership. According to Um et al., (2018) Tesco has lost some of its market share to other supermarkets that provide quality products at lower prices like Aldi. Therefore, cost leadership allows Tesco to improve cost efficiency. By employing this strategy Tesco aims to reduce operational cost and purchase cost through Economies of Scale. In this way, Tesco is able to employ a similar strategy like Aldi for improving its market share.

In addition to the cost leadership strategy of Tesco, it uses the system of club cards for allowing consumers to gather points from purchases. These points can be later converted to money. This is one of the most popular price-promotional strategies, a loyalty programme employed by Tesco for identifying loyal customers and providing additional discounts (Peng, 2022). It was first launched in the year 1995 for introducing internet business and eventually gained confidence and trust from customers for its association with high-quality products. However, this system failed in some emerging markets such as China following cross-cultural issues. This is because the customers in other countries did not prefer buying from a particular store

in which the club card could be availed. They would rather choose freely from different stores instead of remaining loyal to a specific store. This is also a reason why the pricing strategy involving the club card system failed in some emerging markets (Peng, 2022).

Tesco has become the first-ever supermarket in the UK to have directly matched prices with Aldi. Tesco believes that the price-matching technique with the number one discounter on branded products and own brands, it will be able to curb the growth of Aldi and win its customers (Vizard, 2020). Tesco has already started matching prices of its products with hundreds of Aldi's products. The price matching campaign will allow the company to add great value. The prices will be reviewed twice every week that are included in the campaign, "Aldi Price Match". This is because of the increasing demand from customers for competitive prices of things that are bought on a regular basis. Thousands of its product lines are overhauled for making this campaign active after 18 months of investments (Vizard, 2020). This strategy has also allowed Tesco to employ the strategy of competitive pricing by offering products at a similar price range to that of Sainsbury and Aldi. Furthermore, it has cut prices of several products to increase customer loyalty.

Place and Distribution Strategies: *The Secret to Tesco's Worldwide Success*



Tesco Plc is headquartered in Chestnut, Hertfordshire, England. The stores of Tesco are widely available across the world. The company has implemented two primary channels of distribution with both online and offline services for its products as well as services. However, Tesco has experienced a remarkable increase in the sales of its online products, compared to offline products, over the last few years (iide.co (2021)). The company has successfully opened more than 7000 stores across the world. On the basis of the store size as well as its corresponding footfall, there are various types of stores in Tesco. Tesco primarily operates in urban locations

where it is easier for them to target upper-middle class customers. Moreover, the company also operates in crowded areas where all forms of transport facilities are available.

The various types of Tesco stores may be classified as Tesco Metro, Tesco Extra, Tesco Express, and Tesco Superstore (research-methodology.net, 2016). This classification has been made in terms of store size. Thus, it can be said that Tesco superstores are large supermarkets, known for selling groceries as well as some non-food items. The size of Tesco metro on an average is 1000 square metres, and these stores are either situated in city centres or in towns. Tesco Express, on the other hand, are smaller stores, offering high-margin and essential products. Tesco Extra stores may be characterised as large hyper-stores offering a wide range of products and services under one roof including general merchandise as well as groceries.

Tesco uses multiple channels to reach its customers, and all the locations are selected keeping in mind the convenience of the customers. Besides its strong brick and mortar presence, Tesco is trying to strengthen its online presence as well, and this has enabled them to attract more customers to the business. Thus, it can be said that the place and distribution strategy of Tesco is favourable to their business, making a significant contribution to their profitability. The stores are designed in a manner so that the customers find them interesting and they are convinced to spend even more time inside the store. The distribution strategy of Tesco aims at enriching the shopping experience of the buyers, fulfilling their needs. The formats and stores have been considered recently by Tesco as important points among the strategic plan of Tesco in order to create a better store experience, refresh the existing stores while implementing improved methodologies for its new developments (academia.edu, 2021).

Promotion: *How Tesco is engaging with its customers?*

Tesco is believed to be the gold standard in terms of branding and advertising. The biggest advantage of Tesco lies in its low-pricing strategy, which makes the company different from the other supermarket chains in the UK (iide.co, 2021). Tesco has employed the use of traditional means of advertising and promotion through TV advertisements, and the brand is also known for sponsoring charitable events. They even offer propagative discounts for customers. However, their primary focus is on just one thing- low product prices. Moreover, attractive offers are also provided by Tesco to the leads and due to this, customers often find it easy to avail offers such as “buy-one-get-one-free” as well as 50% discount and so on. It makes the customers feel that they have been able to save money.

The marketing communication team of Tesco is a group of planning and creative experts. The marketing team of Tesco is dedicated and committed to understanding the needs of the customers- what they want to hear and see. The marketing team of Tesco knows exactly when

they need to encourage the customers to shop at Tesco. The Clubcard data of Tesco provides the marketing team with billions of customer data which enables them to analyse and understand the shopping behaviours of its customers. It enables them to identify, and develop a stronger proposition for its buyers (tesco-careers.com, 2022).

The marketing strategy of Tesco suggests that it is imperative for Tesco to implement an evolutionary marketing strategy within various competitive contexts. The retail marketing mix decisions of Tesco may be defined as trial-and-error behaviour in which various possibilities are analysed and the decisions made are largely evolutionary across various cultures (Palmer, 2005). A substantial marketing investment is required by Tesco in order to make its buyers familiar with some of their new products. It is believed that the brand loyalty of Tesco is inspired through their marketing efforts, efficient support services as well as product quality. Sales and marketing in Tesco have enabled them to reach a wide range of consumers through promotion, advertising and pricing, and this is to ensure that the customers are aware of the services and products available at Tesco (Monte, 2021). Moreover, Tesco operates an articulated and complex value chain in order to support its customers with best services and products. Even in the marketing campaigns of Tesco, a clear message is delivered that they are committed to keeping “the customers at the heart of everything” (Monte, 2021).

Tesco customers can easily have direct access with the company through the following media channels:

<https://www.tesco.com/>

<https://www.facebook.com/pages/category/Supermarket/Tesco-252848938243145/>

<https://twitter.com/tesco>

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