

Tesco PLC Business Environment: Executive Summary

Understanding an industry or sector business environment is important to success of any company or enterprise. A business, therefore, needs to formulate its strategies based on the conditions existing within that industry.

Tesco PLC operates in the retail industry characterized by stiff competition with big and small companies of the kind. However, the policy that Tesco PLC prefers when coordinating the retail industry needs certain evaluation. For this purpose, the PEST analysis could be used. The Tesco PLC strategies can also be formulated using the principles of perception, which will help the company enhance its market positioning as well as target market (Skaalid, 1999).

Introduction

To analyze and evaluate the business environment and the elements that make it, such as competitors, legal factor must be taken into consideration. The given analysis would summarize political, economical, sociological, environmental and legal factors that characterize the industry the company operates in (Koptelnikov, 2008)

Tesco Business Environment

Speaking of the political factors, one should mark that Tesco PLC core operations are located in the UK, which means that a substantial part of the Tesco operations will not be affected by numerous political factors, such as instability. It should be noticed that Tesco has offices in other European countries, in Asia and in even in the USA. The support of Europe and the United States is important because various political and ethnic factors could affect the Asian operations (Moenaert, 2009).

In terms of economics, retail sector performance is driven mostly by consumer spending. The consumer expenditure has been rather weak over the past year although

it did not affect the performance of the company. The recent surge in the oil prices could affect the consumer spending power as well.

As for the social life, it would be reasonable to mention that the retail industry has also been affected by the change in the consumer trends. Many consumers have become environmentally conscious, which forced retailers to reduce the negative effect their goods cause to the environment and think of the ways to conserve energy. The retail sector, though, has supported people's concerns for the environment and engaged in environmental protection activities.

Technologically, most retail chains and stores have accepted the technological novelties, counting upon the benefits that the company would accrue using innovative products. Most retailers made use of technologies to reduce their costs; the environmental issues were taken into account as well. Thus, technology is the basic for this sector.

From the legal point of view, the awareness increasing within the consumer, employee, and pressure group is persuading the government to issue strict laws governing environmental protection, employee welfare and consumer welfare as well. The retail industry is very sensitive to consumer dissatisfaction. A case in point is the Wal-Mart saga of paying employees a minimum wage, as Mullet (1995) explains.

The environmental factor is traditionally considered one of the most essential ones. Environmental conservation has been one of the key challenges faced by companies. This is why many companies spend a lot of time and resources on conservation programs. The retail sector is not left behind in this regard. The biggest challenge for retailers will be to ensure the availability of a wide variety of products and services without causing much pollution to the environment.

After conducting the PEST analysis, one can see clearly that the retail sector business environment is affected by a range of factors that could adversely influence the performance of the companies operating in the retail sector. In Britain, the retail sector accounts for about one-fifth of the country's economics; in addition, retail makes a third of consumer spending (Riley, 2011).

Key Competitors in the Retail Sector

As it has been mentioned above, the company's UK operations account for the most of its revenues and profits. Although its operations in other European states, Asia and the USA contribute substantially to the company's sales as well, the UK operations are doubtlessly the most profitable ones.

In the UK, the company's key competitors are WM Morrison's supermarkets, J Sainsbury, Wal-Mart, Marks and Spencer, Alliance Boots, Somerfield, Next Group, Spar UK Ltd., Car Phone Warehouse, Little Woods Shop, Arcadia group, etc. These are not the only competitors that Tesco has to face – there are some more retailers, who seem to be rather pathetic competitors for Tesco.

Although Tesco's British operations face stiff competition, the company has managed to grow impressively over the past few years, and currently Tesco PLC is the top retailer in the UK.

The list of competitors that the company faces range from huge companies, such as Wal-Mart and Carrefour, to smaller ones, like the Texaco retail. Therefore, despite its impressive growth, the company has to fight a number of opponents to stay an undoubted leader.

Principles of Perception

They are traditionally called Gestalt principles of perception, which presuppose that things are affected by their position and the elements surrounding them. Indeed,

with each moment, a new change comes and has its effect on the given object or phenomenon (Behrens, 1984). These principles, therefore, determine the importance of the surrounding environment. Gestalt principles include figure and ground similarity, proximity or contiguity, continuity, closure area and symmetry (Knight, 2006). Such instable nature of the society predetermines the fluctuation of the retail industry.

Tesco Positioning Strategy

The company operates multi-formats enterprises and stores in the UK and international markets. The company uses the principles of perception to enhance its multi-format businesses by retaining the Tesco brand, which is why customers are able to associate all the enterprises of the company with the Tesco brand (Mullet & Sano, 1995).

The company, therefore, does not build stores for all types of customers – this is rather Tesco's multi-format store strategy that attracts high-, middle- and low-income customers under the Tesco brand.

Target Market

The company's loyalty card program was used to collect data on the shopping patterns and the needs of consumers. The trick was that the loyalty card could be used as a reward card at the same time. The data collected from the consumers says that they are used to taking into consideration their needs in scheduling the next stages of the company's development.

Conclusion

Tesco PLC has managed to enhance its competitive positions through the adoption of strategies that saw the company rise to be the number one British retailer. Using the most reasonable means to encourage its retail industry, the company has reached its economical and business top. It is essential that Tesco considered the

needs and wants of each group of customers. To sum up, the effective use of the modern market strategies together with the concern for the clientele made Tesco one of the most successful companies in Great Britain.

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