Analysis of Business Operation Mode and Marketing Strategy of British Mainstream Supermarket: Case study of Tesco

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Abstract. Jack Cohen founded Tesco in 1919 as a market stall. It is now the UK's largest supermarket chain and a global retail giant. Tesco has expanded its product line and added technologies during the past century to meet client needs. Tesco provides food, apparel, gadgets, and financial services to a large audience with a customer-focused and adaptive strategy. Operational efficiency benefits Tesco. It operates Tesco Extra hypermarkets, Tesco Express convenience stores, and its website. Tesco targets specific populations with different models, giving short shopping trips and wider store selections. To reduce costs and increase product availability, Tesco optimizes its supply chain. Early adoption of AI-driven inventory management and self-checkout technologies optimizes operations and improves shopping. Tesco's strategy includes marketing. Value, quality, and convenience have made Tesco a great brand. Customer loyalty is maintained with Clubcard's personalized discounts and awards depending on shopping habits. This increases repeat business and gives Tesco consumer data for marketing and stocking decisions. Tesco faces growing competition, changing consumer behavior toward online shopping, inflation, and supply chain disruptions. To compete, Tesco must innovate and adapt to customer expectations and market situations. Therefore, operational efficiency, customer-centric marketing, and sustainability drive Tesco's long-term success. In a changing retail market, it must be agile to expand and lead.

Keywords: Tesco, business operation, marketing, case study.

1. Introduction

Global retailer Tesco PLC owns supermarkets, hypermarkets, and convenience stores in Welwyn Garden City. In addition to food, the corporation sells apparel, electronics, financial services, and telecom [1]. Tesco should be examined due to its large market share and extensive retail history in Britain. Tesco sets UK grocery retail trends in 2024. The firm has changed British and global retail since 1919. Tesco's long-term investment plan and market adaptability show retail success in a competitive business.

This study examined Tesco's corporate operations and marketing tactics using qualitative and secondary data. Tesco's history, market position, and performance were studied utilizing scholarly literature, industry reports, financial records, and market surveys. Tesco used PEST and Porter's Five Forces to evaluate macro and microenvironmental factors. Financial and non-financial performance of Tesco was examined using company reports and industry databases.

2. Overview of Tesco

2.1. History and Development of Tesco

Jack Cohen sold East End stall leftovers in 1919, founding Tesco. Cohen bought tea from T.E. establishment Tesco 1924. Stockwell formed "TESCO" from his initials (TES) and surname's first two letters (CO) [2]. Tesco has developed from a market stall to a multinational store with many products and services. Tesco opened its first store in 1929 in Burnt Oak, Edgware, North London. In 1947, Tesco Stores (Holdings) Ltd. went public on the London Stock Exchange, bolstering its finances. The company built its first self-service supermarket in St Albans in 1956 and "superstore" in Crawley, West Sussex in 1968. These changes showed Tesco's adaptability to retail trends and consumer preferences [1].

Tesco grew and diversified in the 1990s and 2000s. Tesco remains the UK's leading retailer after 1995. Tesco.com pioneered UK online grocery shopping in 1997. Tesco expanded into Central Europe and Asia in the 2000s, showing its worldwide ambitions [3]. Tesco has new difficulties and new leadership and strategy. After an accounting issue, Dave Lewis became CEO in 2014 and improved the company's finances and image. Lewis returned Tesco to its main UK market, simplified its global operations, and strengthened its balance sheet [4].

Tesco launched Jack's in 2019 to challenge Aldi and Lidl. Tesco's shop format diversification showed its responsiveness to customers. Ken Murphy, Tesco CEO, championed digital transformation and sustainability since 2023 (Data From: Tesco Annual Report, 2023). Tesco adapts its business model and services to consumer needs and market situations. Its long-term performance and market leadership in the competitive UK retail sector depend on this agility.

2.2. Tesco's Financial Status Analysis

Key financial data from Tesco's annual report will be used to evaluate its finances. Tesco's 2023/24 revenue rose 3.5% to 7.6 billion pounds. Revenue rise shows Tesco can weather economic uncertainty and boost sales (Data From: Tesco Annual Report, 2024). Company operational profit rose 6.2% topounds2.8 billion. This higher operational profit is due to efficiency and cost reduction. Net debt dropped topounds8.9 billion frompounds9.2 billion last year, suggesting financial stability and debt reduction (Data From: Tesco Annual Report, 2024).

Strong cash generation helped Tesco generatepounds1.7 billion in free cash flow. Cash flow helps the organization grow, reward shareholders, and reduce debt. Its 10.9 cent dividend per share demonstrated financial stability and shareholder benefits (Data From: Tesco Annual Report, 2024). The data indicate Tesco's financial strength despite market headwinds. Financial management and operational efficiency increase sales and profit while reducing debt. Competition, inflation, and changing customer behavior may affect retail.

3. Environment Analysis

3.1. Macro Environment Analysis

PEST will assess Tesco's macro environment for Political, Economic, Social, and Technological variables.

Political stability in UK retail eases long-term planning. However, recent events have raised uncertainty. Retail labor and supply chains are affected by Brexit. Tesco must address workforce shortages and new import/export laws [5]. Government policies affect Tesco. The National Living Wage raises labor expenses, while plastic bag levies affect consumer behavior and sustainability. Food safety laws impact Tesco's supply chain [6].

Although tough, UK political stability has allowed Tesco to continue operations and strategic planning. The corporation innovates and improves despite government reforms and regulatory limitations.

Economic conditions have hurt Tesco for five years. Base rate for the Bank of England was 0.1% in 2020 and 5.25% in 2024. Tesco's borrowing costs and customer spending vary with interest rates [7]. Also noteworthy is UK inflation—1.8% in 2019, 0.9% in 2020, 2.6% in 2021, 9.1% in 2022, and 4.0% in 2023. In 2022-2023, inflation hindered Tesco's pricing and cost control. Economics predict 2024 inflation stabilizing at 2.8% [8]. To sustain market share in a harsh economy, Tesco prioritizes cost efficiency, price competitiveness, and value. The corporation must absorb cost increases to stay competitive and pass on some price increases to consumers to stay profitable.

Tesco led retail IT adoption. Self-checkout cuts lines and expenses, mobile apps improve shopping and personalized offers, and scan-as-you-shop streamlines the retail experience [9]. Tesco estimates demand, manages supplies, customizes marketing, and suggests items using AI and big data. This technology helped Tesco cut food waste and streamline its supply chain. E-commerce and omnichannel retailing have been improved to respond to changing consumer behavior during and after the COVID-19 pandemic [10].

Tesco is investigating warehouse and last-mile delivery robotics for efficiency and cost savings. These technical advances have improved Tesco's operational efficiency, customer experience, and digital retail competitiveness.

3.2. Micro Environment Analysis

To analyze Tesco's micro environment, we'll use Porter's Five Forces model.

There are several major UK food retailers. Tesco's main rivals are Sainsbury's, Asda, Morrisons, and Aldi. Tesco is one of four retailers that sell 60% of UK groceries [11]. As Aldi and Lidl grew, severe competition caused price wars. Other benefits include Waitrose's quality and Asda's price. Low prices, wide selection, and brand loyalty make Tesco the leader. Serious rivalry demands ongoing innovation and positioning.

UK supermarket entry is unlikely for various reasons. Building a supermarket chain needs large real estate, inventory, and logistics investments. New entrants struggle to compete with Tesco on pricing due to purchasing and operational economies of scale [12]. Established supermarkets have brand awareness and consumer loyalty, making entry difficult. Durable supplier connections give incumbents product availability and cost advantages. Cheap stores Aldi and Lidl have shown the threat.

The food retail industry has several tiny competitors. Ocado and Amazon Fresh sell groceries. Fast shopping helps local companies compete with supermarkets in numerous product categories. Organic, ethnic, and gourmet restaurants attract niche customers. Fresh produce and specialized food companies bypass retailers to sell straight to consumers. Tesco has extended its store types (including Tesco Express convenience stores) and online presence to address this challenge.

Supermarket shoppers are powerful. Price elasticity of demand is strong because customers are price-conscious, especially amid economic instability. Customers can bargain more because supermarkets are portable. Price comparison tools and product information aid consumer decision-making [13].

Multiple supermarket chains and internet platforms give shoppers options. Clubcard, competitive pricing, and a better shopping experience have increased Tesco customer loyalty.

4. International Market Analysis

4.1. International Overall Strategy

Tesco has focused abroad instead than aggressively expanding. Tesco exited Japan 2011, US 2013, South Korea 2015, Thailand and Malaysia 2020 [14]. Tesco focused on its core business and grew in potential regions while leaving certain countries. Tesco's primary international markets include the Czech Republic, Hungary, Slovakia, and India. Tesco may concentrate resources and capitalize on markets where it is strong or developing.

Internationally, Tesco emphasizes flexibility. Our products are tailored to each country's market to balance consistency and localization [15]. With its worldwide brand and operational skills, Tesco can meet local consumer needs.

4.2. Driver

Several factors drive Tesco's foreign strategy. Opportunities for growth first. Tesco seeks long-term expansion and profitability in middle-class or retail-expanding markets. To offset saturation in mature areas like the UK, Tesco targets new markets.

Another factor is risk diversification. Tesco operates abroad, making it less dependent on the UK market and less susceptible to economic or regulatory changes [16]. Regional diversification stabilizes Tesco and protects it from local issues.

Tesco uses scale globally. The corporation saves and makes more abroad due to global purchasing power and operational effectiveness. Tesco has high margins and can compete on pricing. Finally, Tesco's global operations depend on information exchange. Marketing lessons and best practices help the organization innovate and grow globally [17]. The idea and strategy exchange improves Tesco's operations and competitiveness.

4.3. Objective

Tesco has complex worldwide strategy goals. We prioritize sustainable expansion in certain foreign markets. Tesco prioritizes long-term growth in profitable markets above hasty expansion. Prior learning and investor value support this slower growth paradigm. Tesco's foreign strategy is branding. Tesco builds international trust by quality, affordability, and service [18]. Tesco must create a brand to stand out from local competitors and generate consumer loyalty in competitive retail marketplaces.

Global innovation transfer is Tesco's priority. The company globally tests new ideas and technology before release. This innovation strategy keeps Tesco abreast of retail trends and improves its products. Finally, Tesco seeks worldwide local market dominance. While it may not be the biggest player in every area, the company wants strong, defensible market positions to compete and produce consistent returns. Market dominance offers Tesco supplier scale and negotiation strength.

4.4. Difference Modes of Entry into Different Countries

Tesco enters countries via market and legal tactics. Tesco's entry plan can be adapted to each market, enhancing its chances. Most European markets have Tesco-owned companies. This entry gives Tesco full control over operations, branding, and strategy [19]. The wholly-owned subsidiary model works best for Tesco when local regulations favor foreign direct investment.

A Tata Group joint venture, Trent Hypermarket Limited, brought Tesco to India. Since India's foreign direct investment restrictions impede multi-brand retail foreign ownership, the plan is needed. Tesco invests much in the joint venture but benefits from its local partner's market knowledge and contacts.

Acquisitions helped Tesco enter markets. Tesco expanded to the Czech Republic and Slovakia by acquiring Žabka and Koruna shops [20]. Tesco quickly gained market share and exploited customers and retail networks using this method.

Tesco occasionally grows organically. With this slower, safer method, Tesco can customize its products for specific regions. Tesco thrives in long-term, low-risk organic expansion markets. Tesco's entry mode depends on legal climate, market potential, competition, and strategic aims. Tesco carefully selects entrance strategies to optimize success and minimize international expansion risks.

4.5. Geographical Advantages

Geographic advantages make Tesco's global operations strategic and efficient. It benefits from its Central European operations' proximity to the UK market. The UK headquarters and Tesco's Czech Republic, Hungary, and Slovakia operations are closer, enhancing logistical and management control [21].

Regional synergies result from Tesco's Central European clustering. Tesco can easily share resources, information, and best practices with adjacent countries by consolidating its worldwide presence here. Regionalism allows procurement, marketing, and supply chain management economies of scale.

Tesco has access to one of the world's largest and fastest-growing retail marketplaces through its India joint venture. India's enormous population, increasing middle class, and urbanization offer long-term promise despite many challenges [22]. Tesco's location in a crucial emerging market equips it for success as the Indian retail industry evolves. Tesco may enter European markets to capitalize on customer behavior and cultural commonalities. Tesco tailors its business model to UK and Central European markets [23]. Cultural similarities help marketing, customer service, and product selection.

Finally, Tesco's foreign businesses optimize supply chain and distribution networks by location. Targeting fewer neighboring markets may help Tesco improve logistics, shipping, and inventory management. Tesco's international profitability and competitive prices come from geography.

5. Recommendations

Digital transformation and omnichannel integration should boost Tesco's performance and sustainability. Tesco can improve demand forecasting, waste reduction, and personalization by investing in AI and machine learning as online shopping grows. Post-pandemic internet commerce demands user-friendly technology and fast delivery. Tesco should use AR to improve in-store purchasing and connect the digital and real worlds. Omnichannel techniques like "click and collect" improve consumer experience and increase foot traffic to real businesses, possibly increasing sales.

Tesco may enhance private label and sustainability. Value products attract budget-conscious buyers, whereas premium private label products attract high-earners. This dual strategy will differentiate and enhance Tesco's earnings. Tesco can improve its image and address customer and investor ESG concerns by accelerating the conversion to 100% recyclable packaging and investing in renewable energy. Supply chain agreements can help Tesco cut Scope 3 emissions and promote sustainable farming.

6. Conclusion

Through business and marketing, Tesco became Britain's leading supermarket. Tesco has evolved from a small grocery store to a global firm that adapts to consumer needs. Tesco dominates UK retail with its extensive assortment, low pricing, and clever online and convenience store expansion. Private label items and worldwide expansion helped the company prosper. Tesco also faces economic difficulties, cheap shop competition, and changing customer patterns. Cost management, employee engagement, government laws, technology, and market need impact performance. Tesco strategically addresses these concerns to preserve market leadership. Tesco's adaptability, market resilience, and other characteristics affect its long-term growth and competitive edge in the ever-changing retail industry, according to the report.

Tesco's business operations and strategies are covered in this brief study. The analysis relies on public data, which may not accurately reflect Tesco's operations and decisions. Large retail organizations are complicated, making internal dynamics hard to understand without insider knowledge. Another problem is retail's quick change. Market conditions change frequently, rendering some information obsolete. Technology and consumer behavior are constantly changing retail, making it difficult for any single study to stay relevant.

The study includes Tesco's competitors, but a deeper examination could reveal its strategy and performance. Indicating that assessing a retailer's competitive position is crucial to its strategic success. The study focuses on Tesco's UK operations and barely touches other markets. Tesco's Central European and Indian joint ventures may provide important information. Many international retail businesses depend on local market adaptation. Finally, customer surveys or interviews could help the study understand customer behavior. Emphasize the need of direct consumer research for retail channel customer experiences.

This study provides a framework for assessing Tesco's business practices and retail. Future research could address many important topics: Tesco's digital transformation and its implications on operational efficiency and customer experience should be assessed. Forecasting market shifts requires understanding how merchants adopt new technologies and alter their operations.

Compare major store sustainability programs to evaluate their effectiveness. emphasize retail sustainability's growing importance, and a cross-company study could reveal best practices and development opportunities. Retail technologies should be studied by Tesco. Say AI, AR, and IoT will transform retail and customer experiences. A complete assessment of Tesco's global operations, including market gains and losses, may assist international retail strategy. Successful global retailers must understand market criteria.

A recent Tesco study on COVID-19's long-term effects on consumer behavior and retail strategy is pertinent. Merchants must comprehend the long-term repercussions of the pandemic, which increased online buying.

Tesco's approach and results may demonstrate how private label products match store objectives. Private labels boost retail profits and brand differentiation. Examine UK supermarket competition from discounters and online pure-play merchants. Tesco must comprehend how new competitors and market factors are transforming retail.

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