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Tesco PLC: Strategy for India

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Tesco PLC: Strategy for India

OutlineThecasesolutions.com

- Background of Business in India
- Industry Structure
- Strategic Audit PESTLE & SWOT Analysis
- Industry Analysis Five Forces & CAGE
- Feasibility Resource Based View (RBV)
- Market Entry Strategies
- Suitability
- Acceptability
- Conclusion
- References

Business in India

We appreciate Tesco has an exclusive franchise agreement with Trent the retail arm of Tata Group, however you are there supporting the business development of Star Bazaar Format and Tesco HSC (Datamonitor, 2011; Tesco plc, 2011)



Industry Structure Thecasesolutions.com

- One of the world's largest unexploited retail market
- Organized retail still only accounts for less than 4% of the overall sector
- The market has undergone changes due to the global economic scenario
- India's FDI policy makes great opportunity for Wholesale Cash & Carry

FDI policy regarding retailing in India

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- FDI up to 100% for cash and carry wholesale
- FDI up to 51 % with prior Government approval (i.e. FIPB) for retail trade of 'Single Brand' products
- · FDI is not permitted in Multi Brand Retailing in India









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Strategic Audit Thecasesolutions.com

PESTLE Analysis

Political

- Restriction on FDI in Recession and India retail sector
- Strong local partners and political contacts

Economic

currency instability

Socio-cultural

- · Poultry and diary products sold by international retailers are lowly preferred
- Rural or backward population in India prefer domestic stores

Technology

- Infrastructure in some of the cities is not developed
- Online store not available



Legal

 Frequently changing ruling parties make the legal environment unstable and non favourable

Enviornmental

 Need to create new jobs



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SWOT

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Strengths

- brand value,
- · capital resources,
- development of strategic business intelligence team,
- online store
- No frills legal service

Opportunities

- Introduction of fair-trade products,
- exploring untapped markets by other international players,
- · prime store locations,
- · job creation in India

Weaknesses

- lack of knowledge about foreign market,
- expensive products as compared to local players

Threats

- Increase in competition e.g WAL-MART,
- change in laws and policies
- heavy investment for market penetration
- price wars,
- local support

Industry Analysis
Porter's Five Forces

Threat of New Entrants

- · Economies of scale:
- · Differentiation of production;
- · High need for capital;
- Unequal access to distribution
- · Government and legal barriers

Bargaining Power of Suppliers

- Markets spread widely;
- Low switching costs.
- Low products differentiation

Rivalry Among Existing Competitors

- Similar size and power of competitors;
- · High industry growth;
- Low exit barriers;
- Low products differentiation

Weak

Threat of Substitutes

- Substitutes' price performance;
- Low buyer's cost of switching

Bargaining Power of Buyers

- · Large amount and demand of buyers;
- · Low switching costs;
- Low products differentiation

Strong





