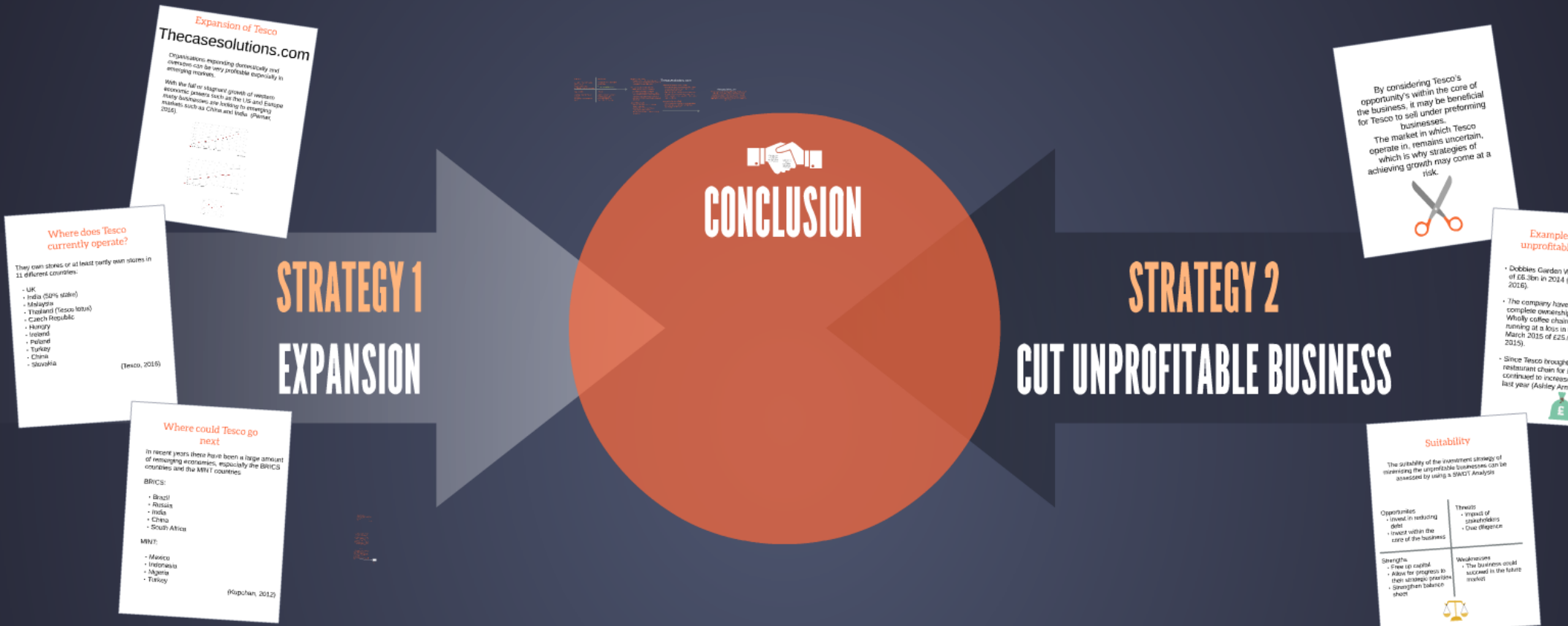


Tesco: Keeping The Hard Discounters At Bay?



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Tesco PLC is a multinational grocery and general merchandises retailer, Founded in 1919 by Jack Cohen (Tesco, 2014, para 1). Now a PLC, Tesco now has a gross profit of £4,010m, operates in 11 countries and employs more than 500,000 employees (Tesco PLC, 2014).

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Despite the impressive statistics, In the last few years, Tesco has lost its way. 2014 and the years following became years of profit warnings and high drama, culminating in a baptism of fire for new boss Dave Lewis (Telegraph, 2015).



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Tesco's fall from grace underscores a series of managerial missteps that has undermined investor confidence.

In this report, we are analysing how Tesco's can increase their profitability by identifying strategic planning and understanding the processes required by Tesco's to formulate strategy.

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Strengths

- Leader in the UK market (Tesco, 2016)
- High brand value
- Successful online processes

Weaknesses

- Dependence on UK market (Tesco, 2015)

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Opportunities

- Further diversification of services
- Focusing on International growth

Threats

- Rising costs of operations
- Strong competitors
- Can't afford further international expansion

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Supplier Power : LOW

- Suppliers want to keep their big contracts with supermarkets therefore Tesco are able to negotiate the very best price.

Threat of New Entry : MODERATE

- Requires a lot of capital, intensive investment and market research
- New entrants would either have to price differentiate (which would be difficult in an already competitive market) or stand out somehow from the market leaders to attract customers.

Buyer Power : HIGH

- Buyers can easily switch from one brand to another
- Prices of products can easily be compared on the internet
- People are attracted to low prices and/or quality.

Threat of Substitution : LOW/HIGH

- Low for food items as products in other stores are similar and only differentiate by price/ quality/ customer loyalty.
- High for non food items such as electronics or beauty as Tesco does not have as much or as varied products such as specialised firms such as Currys or Boots.

Competitive Rivalry : HIGH

- Price/ promotion wars between competitors
 - Discount stores such as Aldi and Lidl are increasing market share
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We also analysed Tesco using the Ansoff Matrix Model alongside this, Porters 5 Forces and Tows not only allowed us to assess the threats Tesco face in an ever changing environment but also allowed us to consider opportunities for strategic progression for the future of the retailer.

Expansion of Tesco

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Organisations expanding domestically and overseas can be very profitable especially in emerging markets.

With the fall or stagnant growth of western economic powers such as the US and Europe many businesses are looking to emerging markets such as China and India (Perner, 2016).

