**GLOBAL STRATEGY DEVELOPMENT AND IMPLEMENTATION**

**Executive Summary**

The report focuses on strategic development and its implementation considering the external environment. The porters five forces demonstrates that the UK retail industry is quite effective, which has lots of opportunities to offer to companies like Tesco. In addition, Tesco’s predominance in the industry can be attributed to its strategic management. The VRIO analysis depicts that Tesco experiences effective brand awareness and strategic management as its sustainable competitive advantages. Additionally, the value change analysis indicates that the company uses effective technology and procurement to support its inbound and outbound logistics. The company has the opportunity of expanding market in new segments like clothing to Vietnam with joint venture to expand its operational scopes.

**Table of Contents**

[1. Introduction 4](#_Toc132976493)

[2. Porter’s Five Forces Analysis 4](#_Toc132976494)

[3. Competitive advantage and core competencies analysis (1400) 6](#_Toc132976495)

[4. Implication of recent external environment and challenge identification impacting competitive positioning 12](#_Toc132976496)

[5. Recommendation on potential market for entry 13](#_Toc132976497)

[6. Conclusion 14](#_Toc132976498)

[References 15](#_Toc132976499)

# 1. Introduction

Tesco is a leading retail brand in UK with significant store and online presence globally. The company emphasises providing sustainable customer services through membership card and benefits. This study focuses on global strategies and development of Tesco in global retail sector. Additionally, a detailed description of strategic implementation has also been provided in this study. An effective external and internal environment analysis has been represented using VRIO, Value Chain, and Porter's Five Forces Analysis to highlight global strategy development of Tesco. This study also sheds light on core competencies and features of Tesco to evaluate its strategic decision and new market entry opportunities.

# 2. Porter’s Five Forces Analysis

|  |  |
| --- | --- |
| **Factors** | **Implications** |
| ***Competition (High)*** | * The competition in the UK retail, sector is quite high with competitors like “Tesco, Sainsbury and ASDA (Statista.com, 2023) * Tesco holds 53.2 billion of market share in the UK, which implies its dominance further (Statista.com, 2023) |
| ***Threat of new entry (Low)*** | * The complex legal procedure makes it difficult for different countries to enter in the retail industry (Uk.practicallaw.thomsonreuters.com, 2022) * Predominance of companies like Tesco and Sainsbury makes it more difficult for making further entry (Statista.com, 2023) |
| ***Threat of substitution (Moderate)*** | * Threat of substitution is low due to different offers provided by the retail giants * Tesco’s Loyalty programme with more 20 million UK households and Sainsbury’s Clubcard facilities different features (Reuters.com, 2022) |
| ***Bargaining power of suppliers (Low)*** | * Bargaining power of suppliers are low3 due to their easy availability in the UK market * The number of total wholesalers can be estimated at 105,613 in UK making the operations swifter (Statista.com, 2023) |
| ***Bargaining power of customers (High)*** | * Bargaining power of customers are high due to its overwhelming influence on retail operations * Rising growth of digitalisation is the result of rising number of social media users in UK amounting to 57 million internet users (Statista.com, 2023) |

**Table 1: Porter's Five Forces**

(Source: Created by author)

***Analysis***

Based on the porter's five forces, it can be stated that the competition in the retail industry is quite high making the industry more lucrative due to its high market share. It is observable that retail sale value has reached approximately 495.71 billion British pounds in 2022 (Statista.com, 2023). This implies that the industry is continuously contributing to the growth of this industry followed by bringing huge profitability. Tesco is the leading retail industry in the UK with its effective strategic control and marketing aspects, which made it more popular. Tesco holds 53.2 billion of market share making it the top most player in this market and its well-established popularity make it easier for reaching potential customers. As observed from the market analysis, Sainsbury, ASDA, and Morrisons are the closest competitors of Tesco with the market share of this Big four culminating into 55% of UK market share (Statista.com, 2023). It is analysed that behind the constant growth of this industry can be attributed to their different strategic management approach.

Considering the high competition, Tesco evolves its strategic parameters based on the trends and approaches, which ensures that its productivity can remain at par with the competitors. Another influential factor is the “customer loyalty card”, which provides some additional services to the customers (Tesco.ie, 2023). It is noticeable that these Clubcard offer great pricing advantages and allow the customers to take advantage of the vouchers and collection points. However, its competitors use the same strategic approach with a complex idea implementation, which results in making Tesco’s loyalty card popular. In addition to their extensive marketing, strategic formation enables this company in making a more holistic approach to operations. The high-end digital infrastructure allowed Tesco to accelerate its sales revenue to 56.4 billion British pounds in 2021 (Statista.com, 2023). Here, it is important to note that streamlining marketing operations followed by reaching customer touchpoints has been of great benefit for this organisation.

In addition, supplier engagement and maintaining a strong front of visibility and clarity brings more dynamic changes in approaches. It is observable that communication and engagement strategy remains core to the operations enabling this business to create consistency and coherency in management. Tesco’s supplier chain and using technological front has enabled this business in building an effective delivery chain, which brings productivity. On the other hand, low threat of entry with complex legal and corporation structure adds benefits to the company, allowing Tesco to retain its dominance in the market further (Statista.com, 2023). Moreover, a customer-centric approach and making ready advancements are some other core factors that enhance business operations and result in further driving sales. In this case, Tesco enjoys more advantages with their familiarity to customers in the UK and their consumption pattern. A cumulative effort of all the managing prospects acts as a key measure in enhancing their operations and making it the topmost retail company in the UK. In this context, employees remain a crucial part of their operations whose hard work and effort resulted in making Tesco’s operations successful.

# 3. Competitive advantage and core competencies analysis (1400)

***VRIO Analysis***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Competency** | **Valuable** | **Rare** | **Imitability** | **Organisation** | **Conclusion** |
| Brand Awareness | Yes | Yes | No | Yes | “Sustainable competitive advantage” |
| Skilled Workforce | Yes | No | Yes | No | “Temporary competitive advantage” |
| Strategic management and control | Yes | Yes | No | Yes | “Sustainable competitive advantage” |
| Effective supply chain | Yes | No | Yes | No | “Temporary competitive advantage” |

**Table 2: VRIO Framework**

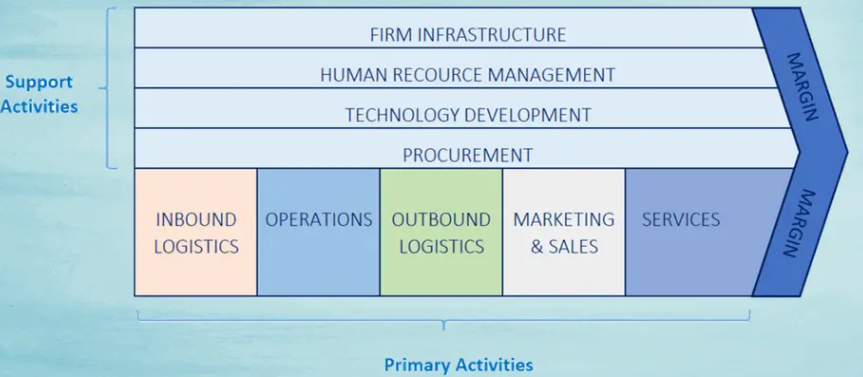
(Source: Created by author)

VRIO framework is resource tool focusing on strategic analysis. Global retailing companies like Tesco uses VRIO framework to develop a sustainable competitive advantage concerning the resources that are difficult to imitate, rare, and needs to be valued. According to Monte (2021), value resources of Tesco are held by its number of competitors due to extensive retail market competition in UK and worldwide. Major retailers like ASDA, Sainsburys, and Morrison's impose a highly competitive market risk on Tesco. The VRIO Analysis of Tesco implies that operation and innovation-driven management are projected to bring fast momentum in Tesco’s business operations followed by expansion of scope concerning growth and profitability increment. As argued by Al-Gamdi and Balubaid (2021), the increasing market competition has compelled Tesco to undertake several online or social media marketing campaign introduction in recent years. The expanded product line of Tesco is one of its value and rare resources that cannot be easily imitated by its competitors in UK's retail market.

Tesco has an evident opportunity of expanding in adjacent sectors to improve its competitiveness and gain a sustainable competitive advantage. As mentioned by Dondjio and Haafst (2019), retail businesses often use VRIO analysis for building its competitive strategies based on core resources and strength of the brand. Tesco has a suitable brand image considering social responsibilities which is a valuable resource of the company. Tesco has a well-defined CSR-functions and regularly engages in actions of social responsibilities, making the retail brand transparent. Similarly, as stated by Čirjevskis (2022), the core competencies like providing customer service, recent technological advancements, and stakeholder engagement strategies are also Tesco's valuable resources. The VRIO analysis has also led to identification of strong brand awareness of Tesco is a sustainable competitive advantage enjoyed by the company. Tesco has an opportunity of expanding its market and operational areas to attain a competitive advantage along with increased profitability (Monte, 2021). The impact of COVID-19 pandemic also opened doors for Tesco to incorporate digital developments like introduction of checkout-free or contactless stores in UK.

The VRIO analysis indicates that Tesco has a sustainable competitive advantage of strategic control and management that helps the businesses to retail its leading position in UK’s retail market. In 2021, Tesco established GetGo (checkout-free stores) enabling customers to check-in with brand’s personalised application, pick-up merchandise within store and pay bill online without waiting for checkout (tescoplc.com, 2021). This highlights that Tesco emphasises digital advancement and change application that has been facilitated by outbreak of COVID-19 pandemic. Additionally, the company enjoys an evident customer engagement growth supported by its social media marketing strategies (tescoplc.com, 2021). The VRIO analysis has also led to evaluation of the fact that Tesco has an opportunity of entering adjacent industry in new operational market. This might result in improving Tesco’s market competitiveness and attaining a competitive edge. Hence, Tesco has significant competitive advantage of brand awareness and strategic management which enables the retail company to position itself as leading retailer in UK’s competitive retail sector.

***Value Chain Analysis***



**Figure 1: Value Chain Analysis Framework**

(Source: bstrategyinsights.com, 2023)

The value chain is referred to as an interface between secondary activities or support with primary activities of a business. The value chain analysis is frequently known as strategic assessment tool that id used for differentiating advantages and drawbacks in proves of adding value (Zhao, 2021). Tesco has been applying a value chain analysis and transformation strategy for years emphasising improvement of operational efficiency and customer service. The activities of primary value chain revolve around company’s selling their merchandise to targeted or potential customers. On other hand, Tesco by its secondary activities can be rewarded like playing a critical role in synchronising and primary value chain assistance.

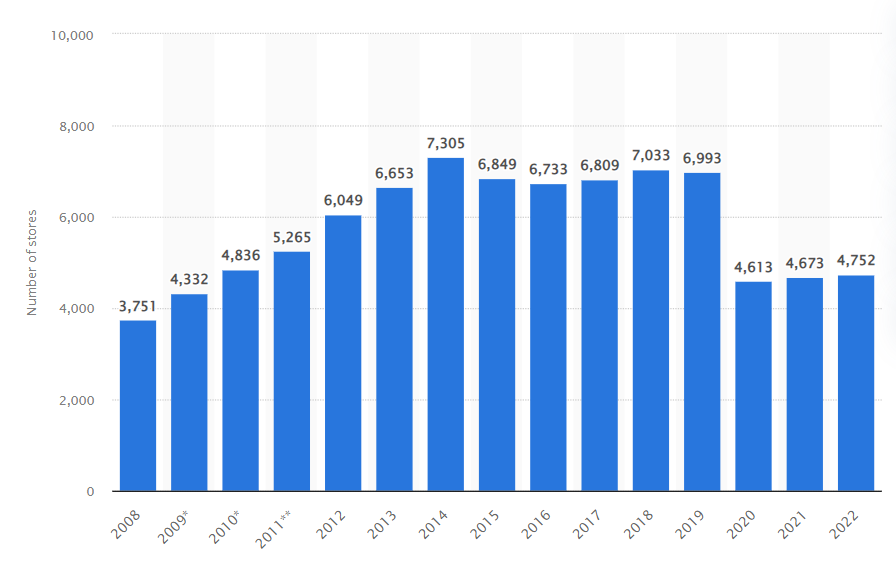
***Tesco’s value chain primary activities***

Primary activities are defined as activities that directly go into product creation or service execution (Stobierski, 2022). These activities comprise operations, inbound logistics, sales, marketing, outbound logistics, and services.

***Inbound logistics***

Tesco implements data analytics for tracking products and forecasting demands, following which the company places orders with its suppliers. Tesco collaborates with numerous partners and suppliers worldwide who manufacture, grow, and package merchandise for the retailing brand (bstrategyinsights.com, 2023). Moreover, the company has various depots and warehouses in UK that manages its supply chain. Tesco stores its merchandise received from suppliers in warehouses and distribute later to various individual stores of the company in UK.

***Operations***



**Figure 2: Tesco’s number of store globally in 2022**

(Source: Statista, 2022)

Tesco has various store formats like Metro, Express, and Extras with different design and merchandise keeping capacity. The firm operates globally with more than 4752 stores in nearly fourteen countries out of which 960 are Express stores with over 7000 product availability (Statista, 2022). Some of the Tesco’s stores are open for customers 24\*7, however the operational time for some is normally 6am or 7am till 10pm or 11pm.

***Outbound Logistics***

Customers generally visit Tesco outlets for grocery shopping and thus the brand is not liable for in-store purchasing delivery to customer’ doorsteps. However, the brand has an effective online presence in terms of delivery and shopping system (Iftikhar *et al*. 2020). The company also owns Click+ collection whereby its customers can collect shopping. The bill of the amount collected from Click+ has to be minimum £25 in UK from collection point costing £1.50 (bstrategyinsights.com, 2023). The company provided suitable in-store and online delivery facilities to its customers. Furthermore, home delivery system of Tesco costs minimum £40 to customers which is significantly high as compared to some of its UK market competitors (bstrategyinsights.com, 2023). Thus, this indicates that Tesco has a high brand awareness and reputation which permits the brand to charge higher amount from its targeted customers for product delivery.

***Marketing and Sales***

Tesco undertake a variety of traditional and digital marketing tools along with data analytics to develop long-term relationships and attract potential customers. The company in 2020 invested £81.15 in UK on advertising (Statista, 2023). However, some of Tesco’s advertisements have been criticised in past. The promotional advert of horsemeat scandal on newspapers indicating misleading information is one of the significant adverts of Tesco (Yeates, 2021). Therefore, marketing of Tesco has both positive and negative impact on company’s sales in UK.

***Services***

After sales services of Tesco comprises customer complaint handling, exchanges, and returns. In UK, customers unhappy with Tesco’s products are capable of returning it with proof of purchasing within thirty days after delivery with a refund or replacement (tescoplc.com, 2021). The company emphasises improved customer service experiences to build expanded loyal customer base.

***Tesco’s value chain secondary activities***

Secondary activities are referred to those that support primary activities to become more effective and efficient. Additionally, secondary activities are for creating competitive advantage for globally operating brands (Stobierski, 2022). Tesco with technology and procurement as secondary activities help development of its primary activities.

***Procurement***

Procurement functions of Tesco incorporates appropriate supplier sourcing who are capable of supplying product at lowest price possible with highest quality. The retailer searches for suppliers that can support the business to reduce costs along with adding value to products by manufacturing packaging variety. One of the major suppliers od Tesco in UK is Green who have reset relationships with the company for several years (tescoplc.com, 2021). The company also focuses on sustainable procurement to ensure effective environmental responsibility compliance.

***Technology Development***

Tesco focuses on constant technological advancement to improve its market competitiveness against its competitors. For instance, establishment of checkout-free store in 2021 in Holborn (London) as a response to social distancing restriction imposed due to COVID-19 (tescoplc.com, 2021). Furthermore, the company also uses data analytics in form of Clubcard to improve customer retention.

# 4. Implication of recent external environment and challenge identification impacting competitive positioning

Retail industry of UK is highly competitive due to the co-existence of multiple retail organisations that competes with each other to provide best value to the customers. External environment of the retail industry in UK has some key drivers that compel companies within the industry to adopt competitive strategies to face contemporary challenges.

***External environment***

|  |  |  |
| --- | --- | --- |
| **Factors** | **Implication** | **Impact** |
| **Political** | * Political stability percentile of UK is 77.36%, as per the report in 2021 (Tradingeconomics.com, 2022). * Brexit has impacted imports and exports operations (Gov.uk, 2022). | Positive |
| **Economical** | * Total retail sales in 2022 reached £495.71 billion (Statista.com, 2022a). * Retail industry contributes 5.2% of UK’s economy (Ons.gov.uk, 2022) | Positive |
| **Social** | * Changing marketing preferences of customers have enhanced competitive edge. * Approximately 5 million people are employed in UK’s retail industry (Statista.com, 2022b). | Positive |
| **Technological** | * Digital marketing has changed the competitive dynamics of sales in retail. * Barcode scanners, cash registers and self-checkout technologies are used. | Negative |
| **Legal** | * Standard VAT rate is 20% (Gov.uk, 2022) * Retail licensing is essential for UK-based retail. | Positive |
| **Environmental** | * Adoption of an effective CSR approach * Retails are reducing carbon emissions and energy consumption (Brc.org.uk, 2022). | Positive |

**Table 3: External environment analysis**

(Source: Created by Author)

This is important to note that external drivers contribute in shifting or changing competitive strategies that can help retail companies to thrive and survive in the highly competitive retail market of the UK. In this regard, it can be stated that Tesco has also faced some critical challenges that can impact the competitive positioning of the company. Despite diversification in product offerings and market segmentation, Tesco has faced challenges in terms of managing e-commerce and channelling marketing options. It can also be stated from the external environment analysis that Tesco has often faced difficulties to adopt technologies as its website has been hacked several times, making the customer data vulnerable (Theguardian.com, 2021). Therefore, Tesco has been affected by adoption of technologies and this has impacted the company’s reputation.

***Challenges impacting competitive position***

The main problem that has been faced by the company is the issue of lack of technical capability that contributes in keeping the customer data more protected. Hence, it is important for Tesco to evaluate the performance of other competitors such as Morrisons, Asda, Aldi and Lidl which are all retail companies that includes the customer development (Theguardian.com, 2021). Furthermore, another crucial competitive issue that has been faced by Tesco is the issue of differentiation of pricing strategy where the direct competitors are also trying to provide the customers with the best value. Therefore, the customers have plenty of available options in the market and Tesco is required to develop strategic options that contributes in developing implication within the competitive market. It is also hampering Tesco’s competitive position considering the implications of other companies. Therefore, it is important for Tesco to develop competitive implication which impacts on overall profitability of the company.

# 5. Recommendation on potential market for entry

Based on the industry evaluation, it is visible Tesco’ intrinsic management prospects and resource planning ensures that this brand can build its presence globally. As per the view of Katsikeas *et al.* (2020), selection of an effective market entry mode is important for the business ensuring that it can penetrate the market successfully. It is analysed that Tesco has a strong global network, which can help the business in making prominent connections with potential collaborators to expand the business in new markets. Considering the potential of Tesco, it is recommended that launching their clothing segment and expanding this to Vietnam might enhance the prospect of operations further. It is analysed that joint ventures might be effective for Tesco in bringing a shared approach that would help in fortifying their market entry further. According to Katsikeas *et al.* (2020), joint ventures reduce the scope of risk and it also offers a distribution network, which streamlines the floor of operations further. In this case, entering a new market can be challenging, therefore, reducing the scope of risk is equally important to retain prominence of the company in a new market.

# 6. Conclusion

The study concludes that the UK economy is growing significantly and with a large market share of the UK retail sector makes it quite lucrative. The analysis of PESTLE highlights that the external factors in the UK are quite advantageous to help Tesco enhance the scope of operations further. It is analysed that Porter's five forces is quite beneficial as it helped in determining the big four in the retail industry with Tesco at its top. The strategic control followed by operational management enables the company to accelerate its revenue and growth significantly. Based on the analysis, it is evident that Tesco has the scope of launching a clothing segment in Vietnam with the help of a joint venture, which would further make the research more prominent and effective.

# References

Al-Gamdi, A.A. and Balubaid, M.A., (2021). Development of a Decision Support Tool to Evaluate New Ideas Validation in Idea Generation Process in Organizations. *International Journal of Advanced Engineering Research and Science*, *8*, p.2.

Brc.org.uk. (2022). *THE UK RETAIL INDUSTRY AND CLIMATE CHANGE*. Available at: https://brc.org.uk/climate-roadmap/section-1-context/15-the-uk-retail-industry-and-climate-change/#:~:text=The%20UK%20retail%20industry%20contributes,of%20~50%20MtCO2e. [Accessed on: 13 April 2023]

bstrategyinsights.com (2023). *Value Chain Analysis. Business Strategy Insight*. Available at: https://www.bstrategyinsights.com/tescos-value-chain-analysis/ [Accessed on: 19th April 2023]

Čirjevskis, A., (2022). A Discourse on Foresight and the Valuation of Explicit and Tacit Synergies in Strategic Collaborations. *Journal of Risk and Financial Management*, *15*(7), p.305.

Dondjio, I. and Haafst, R., (2019). *Managing your business: a practical guide*. Routledge.

Gov.uk (2022). *Tax on shopping and services*. Available at: https://www.gov.uk/tax-on-shopping [Accessed on: 13 April 2023]

Gov.uk (2022). *The retail sector and preparing for Brexit*. Available at: https://www.gov.uk/guidance/the-retail-sector-and-preparing-for-eu-exit#importing-and-exporting [Accessed on: 13 April 2023]

Iftikhar, R., Pourzolfaghar, Z. and Helfert, M., (2020). Omnichannel value chain: mapping digital technologies for channel integration activities. In *Advances in Information Systems Development: Information Systems Beyond 2020 28* (pp. 74-92). Springer International Publishing.

Katsikeas, C., Leonidou, L. and Zeriti, A., (2020). Revisiting international marketing strategy in a digital era: Opportunities, challenges, and research directions. *International Marketing Review*, *37*(3), pp.405-424.

Monte, A., (2021). *A study of value chain reconfiguration processes under Covid-19 pressures: the case of Tesco PLC in the United Kingdom.*

Ons.gov.uk. (2022). *Economic trends in the retail sector, Great Britain: 1989 to 2021.* Available at: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/articles/economictrendsintheretailsectorgreatbritain/1989to2021#:~:text=2.-,Retail%20industry%20in%20Great%20Britain,all%20UK%20employees%20in%202019. [Accessed on: 13 April 2023]

Reuters.com, (2022). *Loyalty pays off for Tesco as Britons feel the pinch.* Available at:https://www.reuters.com/business/retail-consumer/loyalty-pays-off-tesco-britons-feel-pinch-2022-02-23/[Accessed on: 20 April 2023]

Statista (2022). *Tesco's number of stores worldwide 2008-2022. Statista.* Available at: https://www.statista.com/statistics/238667/tesco-plc-number-of-outlets-worldwide/ [Accessed on: 17th April 2023]

Statista (2023). *Tesco's ad spend in the UK 2018-2020. Statista*. Available at:https://www.statista.com/statistics/549738/tesco-uk-ad-spending/ [Accessed on: 16th April 2023]

Statista.com, (2023). *Annual sales value of all retailing in Great Britain from 2005 to 2022.* Available at:https://www.statista.com/statistics/287912/retail-total-annual-sales-value-great-britain/[Accessed on: 20 April 2023]

Statista.com, (2023). *Leading 10 retailers based on sales in the United Kingdom (UK) in 2021/22.* Available at: https://www.statista.com/statistics/462863/leading-ten-retailers-by-sales-uk/[Accessed on: 20 April 2023]

Statista.com, (2023). *Number of internet and social media users in United Kingdom (UK) as of January 2023.* Available at: https://www.statista.com/statistics/507392/uk-number-and-penetration-rate-of-internet-and-mobile-internet-users/#:~:text=UK%3A%20digital%20population%20January%202023&text=As%20of%20January%202023%2C%20the,million%20internet%20users%20in%20total[Accessed on: 20 April 2023]

Statista.com, (2023). *Number of wholesale trade enterprises in the United Kingdom (UK) from 2008 to 2020.* Available at:https://www.statista.com/statistics/292369/wholesalers-number-of-enterprises-in-the-united-kingdom-uk/#:~:text=In%202020%2C%20there%20were%20105%2C613%20wholesale%20trade%20enterprises%20in%20the%20UK[Accessed on: 20 April 2023]

Statista.com, (2023). *Percentage change in sales at Tesco in Great Britain compared to a year earlier from January 2015 to December 2022.* Available at:https://www.statista.com/statistics/386598/tesco-sales-percentage-change-great-britain-uk/[Accessed on: 20 April 2023]

Statista.com. (2022a). *Annual sales value of all retailing in Great Britain from 2005 to 2022.* Available at: https://www.statista.com/statistics/287912/retail-total-annual-sales-value-great-britain/ [Accessed on: 13 April 2023]

Statista.com. (2022b). *Number of people employed in the retail and wholesale sector in the United Kingdom in 2021, by enterprise size*. Available at: https://www.statista.com/statistics/677207/uk-retail-employment-by-size/ [Accessed on: 13 April 2023]

Stobierski, T. (2020) *What is value chain analysis*. Available at: https://online.hbs.edu/post/what-is-value-chain-analysis [Accessed on: 18th April 2022]

Tesco.ie, (2023). Clubcard. Available at: https://www.tesco.ie/clubcard[Accessed on: 20 April 2023]

tescoplc.com (2021). *Tesco opens new checkout-free store, ‘GetGo’. News. Tesco Plc.* Available at: https://www.tescoplc.com/news/2021/tesco-opens-new-checkout-free-store-getgo/#:~:text=Our%20leading%2Dedge%20technology%20means,again%20without%20visiting%20a%20checkout. [Accessed on: 20th April 2023]

Theguardian.com. (2021). *Tesco website hit by hackers, leaving thousands of customers frustrated.* Available at: https://www.theguardian.com/business/2021/oct/24/tesco-website-hit-by-hackers-leaving-thousands-of-customers-frustrated [Accessed on: 13 April 2023]

Tradingeconomics.com. (2022). *United Kingdom - Political Stability And Absence Of Violence/Terrorism.* Available at: https://tradingeconomics.com/united-kingdom/political-stability-and-absence-of-violence-terrorism-percentile-rank-upper-bound-of-90percent-confidence-interval-wb-data.html [Accessed on: 13 April 2023]

Uk.practicallaw.thomsonreuters.com, (2022). *Legal Systems in the UK (England and Wales): Overview.* Available at: https://uk.practicallaw.thomsonreuters.com/5-636-2498?transitionType=Default&contextData=(sc.Default)&firstPage=true[Accessed on: 20 April 2023]

Yeates, C., (2021). *Tesco’s Christmas advert sparks over 1,500 complaints as viewers blast Santa’s Covid vaccine pass. Metro News.* Available at: https://metro.co.uk/2021/11/15/tesco-christmas-ad-sparks-over-1500-complaints-over-santas-covid-pass-15605801/ [Accessed on: 15th April 2023]

Zhao, C., (2021). *Research on Cost Management of E-commerce Enterprises Based on Value Chain——Taking Suning Tesco as an Example.*