**PROGRAMME: BSC ACCOUNTING & FINANCE**

**MODULE NAME: STRATEGY FOR BUSINESS**

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# 1.0 Introduction

Strategy development considers an organisation's plan to achieve consistent growth, by amassing data that is consistent with resource consolidation and inputting individual goals which can induce teams to drive advantage. Every company has its own mission and vision-driving strategy, ensuring that it does not veer away from the intended path. However, market conditions might prevail upon the enterprises, thereby requiring them to alter the pre-created path to success (Wadström, 2018). Within this report, Tesco plc the retail company based out of the UK will be the primary concern that will be looked into through an industrial analysis. A PESTEL framework will be utilised for this reason, this will allow the firm to recognise different threats and opportunities over 12 months. Whereas, a VRIO framework will delve into any internal strengths and weaknesses of the firm. Each analysis will consider the single factor that might drive a competitive advantage and become a competitive disadvantage. The factor that might work in favour of the retailer, will be developed further in the report. Different scholarly arguments and commercial article-based evidence will provide backup to the above discussion.

# 2.0 Application of an external tool to analyse the threats and opportunities presented towards the organisation over the last 12 months

A strategic framework might be used to measure the macro-environmental conditions that prevail in the retail environment of the UK. This framework is also known as PESTEL, whose elements are elaborated on below (Marren, 2019).

**Political:** Firstly, in the words of the executive council Richard Heald serving as chair of the UK-India business council (UKIBC), India will be increasing their merchandise exports by 28% worth $10.5 billion before 2021 and 2022. The imports from the UK related to the same products will also increase by $7 billion (The Economic Times, 2022). This provides an opportunity for different retailers operating in both nations to indulge in diverse retailing.

Secondly, as per the 'Growth Plan of 2022' that played a part in constructing the min-budget, the basic rate of income tax is supposed to fall beyond 19%, as of April 2023. A single higher rate was supposed to revolve from 19%-40%, which will change minimally in the next few years (Mazzier, 2022). Currently, there is less dispute with the existing tax rate.

**Economic:** Firstly, eroding the consumer spending capabilities, the volume of retail products getting distributed in the market has gone down by 1.7% after 2021. This has been attributed to the gradual rise of inflationary pressure, taking the figure to 5.7% by 2023. The retail sales within the country have therefore slumped by 5.8%, bearing more to the lack of e-commerce sales that accounted for only 25.4% (Digital Commerce 360, 2023). The overall sales slowed down by half a percentage point.

Secondly, after entering the year 2023, the retail environment before January has shown the highest unemployment estimates observed in West Midlands, and London. This was seen to be around 4.5%, but the lowest unemployment rates were observed in the South West districts which only showed a 2.3% rise in unemployment rates (Fibre2fashion.com, 2023). Eastern England is gripped by degrees of unemployment centred towards the retail industry, which is ever-increasing by 0.7% points.

**Social:** Firstly, in a recent survey posted by V12 data, 54% of millennials along with 51% of generation z consumers are willing to visit physical retail stores for buying their everyday drinks and food options. A greater propensity to physical store shopping is seen among women generation z consumers aged around 18-24 (Bennett, 2022). That aids them to browse all brands and product types before selecting a choice. In the case of millennial women (aged around 26-40) too same is the case. Whereby the majority visit stores to receive executive suggestions, compare products, and then decide to purchase the item.

Secondly, generation z and Millennial males on the other hand have more inducement towards online markets (Bennett, 2022). This accounts for less than a number, but such male customers look for a unique range of products within the retail stores that might not be available elsewhere. Such a trait of product navigating has been seen among 22% of male customers bearing both customer groups.

**Technological:** Firstly, retailers in the UK market believe that innovation-related investment must be limited to a certain capacity. Some of the technologies in the retail sector include Scan & Go technologies (LS Retail, 2020). Many retailers consider the ease of access factor among consumers before encouraging them to indulge in technologies. For instance, Tesco, Sainsbury, Morrisons, and others have been actively using 'Mobile Scan and Go' to permit easy checkout facilities without standing in long queues.

Secondly, many retailers have also partnered with third-party distributors like Amazon, and others. That enables same-day delivery for cold, frozen, and other fresh products. Along with other grocery varieties that can be exchanged within 30 minutes or less (LS Retail, 2020). Among millennial women too, customers might not be able to visit stores due to a physical disability. Despite the amenities provided by the retailer, they might prefer to buy online. That would secure a fast delivery service that is nowadays tracked using mobile applications.

**Environmental:** Firstly, the UK retail market's release of carbon emissions has grown outrageously each year. This allowed the institution of the British Retail Consortium to develop the initiative of 'Better Retail Better World' (Brc.org.uk, 2022). The primary objective of such an initiative was to reduce carbon emissions by 36% which was ever-growing since 2005.

Secondly, the UK became part of the countries involved in the COP26 climate summit, where the leading role of retailers to reduce any impact on the climate might be discussed (Gov.UK, 2021). This would also assist the UN in its Race to have a zero impact that negatively affects the climate, through a certain course of business operations.

**Legal:** Firstly, the Sales of Goods Act of 1979 looks into the legal distribution of different retail products, irrespective of which category they might fall under unless it represents illegal or means of contraband, merchandise, and others (Gov.UK, 2021).

**Potential Opportunities for Tesco plc**

Firstly, as disruptive innovation is provided in the UK retail environment, Tesco plc has recently decided to open a way for like-minded individuals to share innovative ideas (Lorains, 2020). That might allow products within categories like food, drink, clothing, homeware, and other miscellaneous items to reach customers without any damage, fast, and to their requirements. This form of innovative practice can be embraced by the rising generation z customers, and fond of online shopping and prefers that are represented by millennials to grasp the proposition.

Secondly, A commitment that Tesco plc predicted was to reduce the food scarcity experienced within the UK retail market. However, through collaborations like the organisation has done with WWF (World Wildlife Federation), a fast-track sustainable supply chain is given birth curtailing the impact on the environment for food (Murphy, 2023). Also, regulating fauna influences climate-changing factors.

Thirdly, amongst the spate of employees in the retail sector losing their employment. Tesco plc has recently granted permanent positions to 16000 personnel for customer order fulfilment roles, which might put them in a better light to the workers wanting a challenge through their work (Tesco PLC, 2020).

**Potential Threats for Tesco plc**

Firstly, the tax rate is likely to impact Tesco plc’s management of revenue, especially with the supply chain structure surrounding the retail environment getting competitive over time (Tesco PLC, 2020).

Secondly, the rising inflation is likely to cause a problem for the retailer to directly access the spending power of the consumers (Murphy, 2023). It might prevent them from even looking into a brand because financially they might be able to afford the products in a limited capacity.

Thirdly, the retailer is yet to make a significant market in the Indian territory by administering a presence (Tesco PLC, 2020). The country is also too competitive for Tesco plc, which is likely to reduce any chance of future profits.

# 3.0 Using an internal tool to Analyse the Strengths and Weaknesses of strategic capabilities and Resources

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Resources and Capabilities** | **Valuability?** | **Rarity?** | **Inimitability?** | **Organisation?** | **Competitive Advantage** |
| The staff members within Tesco plc are inspired due to the bonhomie shared by its management, which drives them to control the helm, which includes managing different technologies, assisting customers, and assessing inventory considerations (Sengupta, 2017). | Yes | No | Yes | Yes | Competitive advantage realised |
| The market spending brought on by Tesco plc is regulated by the Tesco Media and Insight platform that installed a closed-loop management suite to realise a real increase in advertisement spending. This soared the ROAS to £6.60 per ad for each product, which was previously at £3.80 on other channels (Tesco PLC, 2022). | Yes | No | No | No | Competitive Disadvantage |
| The retailer believes in the merit of joint venture strategising, this permitted the organisation towards entering into a similar agreement with the likes of Trent Ltd owned by Tata Group of India. This increases the scope of multi-brand retailing engaging hypermarket contacts of Star markets as well (The Economic Times, 2014). | Yes | Yes | No | Yes | Competitive advantage realised |
| Tesco plc managed to upkeep its pre-tax profits that soared after the pandemic and amassed £5.9 billion which took the shares to 14% above last year's revenues (Sweney, 2022). | Yes | No | No | Yes | Competitive Parity |

**Strengths derived from Tesco plc from VRIO framework**

Firstly, Tesco plc has been experimenting with different methods in appealing to the requirements of their workers. This was seen through interactive sessions, that allowed both the superiors and employees working in different capacities to exchange information about the potential future of the latter and the firm (Sengupta, 2017). The retailer has named these sessions 'colleague briefing sessions' that begin with the leaders sharing company-related information with the employees. Certain parts of the information include financial results, career transformation-related progression, CSR activities, and upcoming events in that workers might be able to participate. Apart from the same, Tesco plc can give the workers an exclusive opportunity to the workers in displaying their extracurricular activities like stand-up comedy, painting, and dancing among others. The 'Yammer Chats' allows the retailer to generate one-hour interaction with leaders (Sengupta, 2017). Therefore, it allows the company to keep these workers as potential assets who can contribute to revenue maximisation, profit upliftment, and operating expenditure reduction.

Secondly, the retailer has managed to get hold of a growing retail market, in the form of India. Despite the rising inflationary pressure promoted by the industrial changes, Tesco plc decidedly used the joint venture with Trent Ltd to generate a 50% stake within the hypermarkets of India (Sweney, 2022). That would gradually increase its profitability over time, especially as the company gets hold of the Indian market and works with different customers of Star Bazaar. Hence, in short, this shows resilience within the company to formulate a unique way of overcoming any competitive disadvantages.

**Weaknesses derived from Tesco plc from the VRIO framework**

Firstly, even if the retail giant has covered larger grounds about revenue maximisation. The company has however lost revenue through its like-for-like sales that fell by 1.7%. This has dampened the brand health score significantly, despite the company finding a way towards reducing the selling and distribution-based expenses. Even if the record levels of availability are ordained by Tesco plc for 99.5% of its products, through online presence (Tesco PLC, 2022). For almost 20% of that figure, the retailer has been unable to justify momentary growth of 700 items or more. Hence, Tesco has been left wanting in deciding well-planned promotional spending. Some leeway has been identified by the retailer, especially by granting discounts up to 20%, on 10 random products that have ultimately improved revenue but marginally.

Secondly, the options in terms of retail have grown significantly for customers within the UK market. It halved the retailer's half-year profits by 63.9% during the later stages of 2022. The operating profits of the company have also come down during the time by 43.6%. The current figure is therefore around £736 million from £1.3 billion that was experienced the previous year. The retailer pointed to the normalisation of retail affairs post-pandemic, which required sales volume to plummet (The Economic Times, 2014). However, with year-on-year related sales volume coming back to normal in due time, it has caused unexpected repercussions for the company. Mainly because of the inflationary hikes that have limited the customer offerings in the market, and also required Tesco plc to increase the prices of their products. In the long run, this could become a cause of concern as the retailer is yet to figure out a way to recover their profit margins, from the market.

# 4.0 Explain the consequences of one external opportunity and threat that can impact the organisation's competitive advantage and one internal strength or weakness that can lead to either competitive advantage and competitive disadvantage

**Tesco plc's push for unique innovation proves uneventful**

As per the notions of Wewege and Thomsett (2020), ever since the pandemic in 2020, the retail market within the UK like other markets has been severely affected due to the innovation disruption. Average investment is granted towards small to medium organisations, for setting aside funding for projects, bringing new products into the market, and other retail-based services. It accounted for a value that verged between £40-£750 million (McKinsey, 2022). Many retailers have used technologies to benefit them in the temporary market situation on hand. For instance, cases of virus infliction raging still in the country, through sporadic incidents (McKinsey, 2022). Some companies are still holding onto the sale of personal protective equipment which can be found only in the online markets. Similarly, other small-scale retailers are connecting with local communities using their social media handles by targeting through initiatives (Packaging Gateway, 2022). Whereas, other retail firms are putting their workers through automation training and virtual reality-related education, which can help them to assist the customers in their shopping experience. While this has made the market more challenging for retailers to compete with the same footing, it has inadvertently created an opportunity for the likes of Tesco plc to bring in their innovation. It is seen to be early days for the retailer, as part of their 'Red Door' initiative that will test different innovative ideas that can be expanded within the retail business. Recently, the company has identified that its grocery base sells more than other product categories, and among them include fresh fruits and vegetables that need protective solutions that can prevent further damage (Packaging Gateway, 2022). This technology is also known as 'Apeel' that will also help reduce plastic packaging for the retailer, for fighting different forms of food wastage. However, the company has still found itself to steer clear of the main issue, which is the growing inflationary problems which might not make a difference. Hence, their innovations have least affected the retail market predominantly.

Aided through this technique, Tesco plc can introduce many other fruits and vegetable items that they were unable to bring due to the low-shelf life of the items. For instance, a key fruit that is desired by their customers is the Jaffa fruit, which might be sweeter. This fruit is another form of orange that might be made available in more than 80 odd centres of the organisation. It will roughly cover some parts of the Tesco Extra stores as well. Also, by helping it to reduce wastage among other retailers in the market, the organisation might be able to eliminate more than 1.5 billion plastic pieces which becomes a reason for carbon emission contributions. Among other retailers, this can prove to be impactful, especially in moving the retailer towards a competitive disadvantage (Hobbs, 2015). That is mainly because the Apeel technology only serves a single product category, whereas consumers are looking for a multi-brand offering. In such a case, Tesco plc is taking more time than other retailers that are accosting their revenue and reputation in the market. The retailer is yet to realise that even by extending their supply chain networks, there is hardly a difference that the company can make by not adapting the appropriate digital innovation. Even if there lie significant opportunities in this context.

**Losing revenue adds to the woes of Tesco plc**

As the above analysis makes it clear, the scholars Sharma, M. *et al.* (2021), considers that by simply choosing an innovative practice Tesco plc is less likely to garner momentum in the market. It is further put into concern with the gradual deficit the company experiences through both their revenue and profits. The inflationary pressure has triggered the preference of customers to continuously use their credit cards and other credit facilities from the baking arm of the retailer (Ig.com, 2022). The organisation still finds itself in difficulty with limited consistency being kept on sales volumes. It is only after a drastic measure taken by the retailer to use the services of financial institution Goldman Sachs, in aiding the retailer for future financial strategising and planning that some part of the sales can be improved. However, the current condition continues to mount problems where the retailer might look for investment opportunities when it cites a technology (Kanowsky, 2023). The market trends indicate that innovation-driven retailers will boom, with different forms of creative ideologies getting born in the market. For instance, a coordinated and transformative tech practised has been adopted all over the UK. This has increased reliance on omnichannel customer experience creation, smart offerings, and other lean operational criteria. Retailers are also getting to know agile ways of operating within the market, which is shifting the mindsets of the majority of customers preferring offline channels to online mediums. In a way, it adds to the existing woes of Tesco plc when the enterprise is losing both time and money to consolidate within the market. Customers are also counting on the swift delivery of a healthy, fresh, local, and authentic variety of products that could reach their doorstep through innovative practices itself. Tesco plc is also yet to figure out a unique solution in the context too.

# 5.0 Identification of an appropriate choice and how you can implement the choice

As a form of strategic choice, it is clear that Tesco plc has to somehow bring parity within its financial means. This can be undergone by growing their focus on virtual stores that are a huge success for moderate commuters in international countries. Similarly, Tesco plc has to believe that by harnessing the same it can improve on its lacking revenue in the current timeline (de Meurville et al., 2023). For instance, the virtual store registration of the retailer has received 900,000 and more downloads in less than a period of one year. The registered application users also grew by 76% since 2012 (Kanowsky, 2023). Maybe, instead of relying too heavily upon its offline stores, the company can leverage better sales generation that can afford stability. As this element is missing for the company. Further, suggestions for improving its business strategy can be explained below.

**5.1 Recommendations**

Firstly, Tesco plc needs talents to salvage their digital application maintenance and innovative handle development, as growing users will demand unique features from the company. That would require separate market research for identifying the current trend in the market.

Secondly, the retailer's target market must alter from depending on the offline market craving millennials and generation z customers, bearing age 22-40, and turning them more towards the online markets.

Thirdly, Tesco plc’s joint venture strategy must grow by bringing in better logistic partners, that might be internationally renowned as well as third-party transports that might aid in logistics for long-range deliveries.

Fourthly, exploring technologies that serve the needs of the customers, rather than requiring them to understand its features will be an effective way that the company might be able to increase its profits over time.

# 6.0 Conclusion

The report concludes that retailer Tesco plc has been experiencing hurdles that are generated by macro-environmental factors. However, they have been able to supplant certain problems as identified through their strengths. Meanwhile, there still exist certain weaknesses that the enterprise has been discounting for some time. Its effects have been tantamount to the enterprise, especially with its inability to keep a regular flow within its revenue stream. That can positively affect the profit distribution of the organisation. Also, adding to the problems is the lowering of brand value that the retailer has to do within a competitive market. Tesco plc might have been able to find an alternative towards reducing its selling expenditures, but still operating in a disruptive market associated with the innovation they have a chance to explore different options. The report concludes that keeping this fact in mind, the organisation needs to create a plan in getting back its control financially. Also, serving themselves towards that endeavour.

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