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PESTLE Analysis on Tesco PLC

PESTLE analysis researches the companies-opponents, different processes, suppliers but also some different smaller 'landscapes'. This analysis helps us understand how our decisions can influence organisation's progress, other institutions, relationships with other companies and other things in global scale and how any changes in external environment will affect our company.

The PESTLE Analysis has some factors such as:

- political;
- economic;
- social;
- technological;
- legal;
- ecological.

If we want to understand PESTLE analysis better, we need to look at every its part separately. The first one is *political* environment. These factors are very important for every company to be aware of. For instance,

- ✓ political stability;
- ✓ political orientation;
- ✓ corruption;
- ✓ type of government etc.

What about our example, as it was said, Tesco is now an international organisation, which has business relationships with twelve different countries. That's why these political factors are very important for Tesco. They should communicate with different form of government; know everything about taxation, governmental policy and political situation of every country they cooperate with.

Our example will be a political situation. The whole world is talking about such a topic as Brexit. It is clear that this event will affect a lot of organisations and different companies. Nevertheless, will it influence Tesco? Of course, it will. One of the potential problems will be limiting of products. Great amount of products goes from continent, from EU countries, that is why might be problems caused by Great Britain's exiting from European Union.



Dave Lewis, the chief executive of Tesco, said that the confidence and reliance of shoppers has been already affected by the relationship between United Kingdom and EU. It is the reason why the market was supposed to make prices lower to tempt the shopper. He also said, as it was claimed earlier, that one of the biggest challenges might be deliveries of fresh food from other countries. “The possibility of stockpiling fresh food is very, very limited” (The Guardian, 2018).

Lewis said it still too early to talk about real problems. All they have to do is wait and see if something is changing, and do its main goal: improve the quality and value to make customers happy. However, some potential danger exists and they need to be ready for everything.

Now let us look at next factor such as *economic*. Some factors from economic environment affect organisations. For example:

- inflation;
- taxation;
- unemployment rate;
- level of economic development;
- GDP;
- strength of currency and so on.

Now we will talk a bit about effect of unemployment on Tesco. At first, we should understand what unemployment is. Economists use the appellation ‘unemployment rate’ to explain the amount of jobless people in country (Morrison, 2017).

Today unemployment is a huge worldwide problem. Great amount of people does not have a job or they might have very little hours to get enough money. However, if we talking about the UK’s rate of unemployment, we can see that the situation is not so bad. According to main governmental website of U.K. (GOV.UK, 2018), now it is much better than was in past. It is said that now the unemployment rate has fallen to 4%. Secretary of State for Work and Pensions Esther McVey said that the level of this problem went down over 45% since 2010 what cannot make people happy.

As an evidence of these words, we have the diagram (Joseph Rowntree Foundation, 2017):

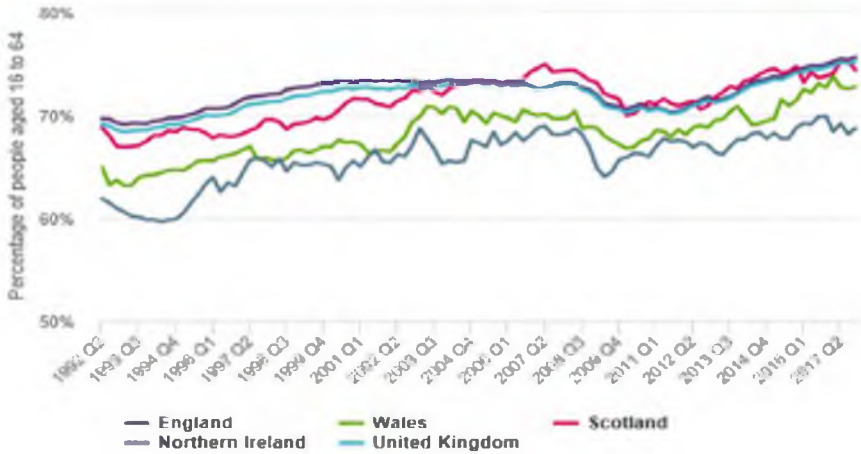


Figure 1. Working-age employment rate (reasonably adjusted) in England, Scotland, Wales, Northern Ireland and the UK (Source: Labour Force Survey)

What about impact of this factor on Tesco, fortunately, the percent of unemployment is not big what means it has positive impact on the organisation. When the unemployment rate is decreasing, it is easier for people to find a job. In this case, they have more incomes and can let themselves to buy more. For Tesco this is good as it is more confident that customers will stay with the company and give to it more profit.

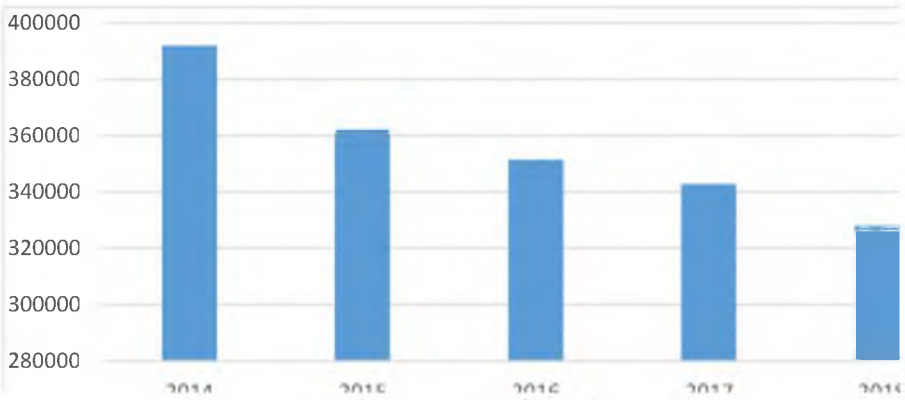


Figure 2. The amount of employees



On the other hand, it can be a negative impact as well. The higher rate is, the harder it is to find employees who are ready to work for less salary. Therefore, the number of workers might go down. This example might be the reason why number of Tesco's employees is going down for a few last years.

The next factor is *social*. Some factors from this environment might also affect the company, for example:

- population rate;
- demographics;
- level of immigration or emigration;
- ethnic composition;
- religion and societal issues etc.

One of the most popular problems in U.K. is migration. Especially, immigration. Great amount of people are moving to UK from different countries all over the world to find new home with better opportunities and the whole life at all.

According to Migration Watch UK, during last year to March 2018 to the UK migrated more than 270 thousand of people:

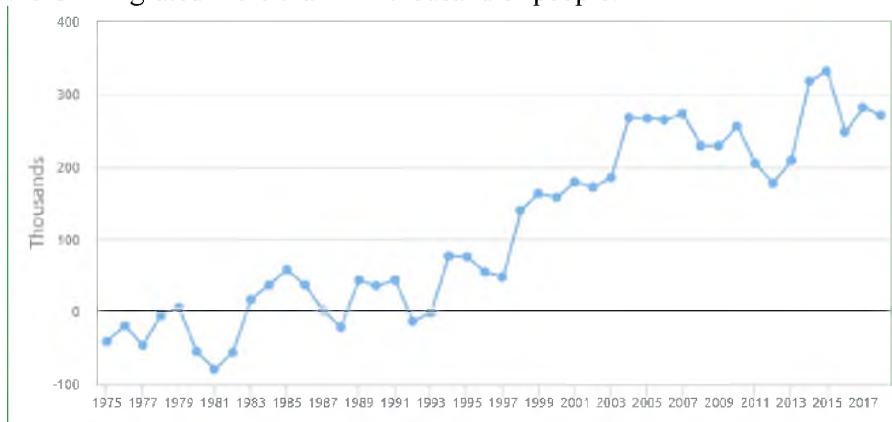


Figure 3. Net migration to the UK 1975 the year ending March 2018
(Source: Office for the National Statistics, Long Term international Migration by Citizenship Data)

If we talking about whether influence of this problem on Tesco PLC, we can say that migration has effect on everything. The chairman of Tesco, Allan John, says that immigration is the big problem for UK's economic. "That will be bad for everyone. It will lead to fewer jobs and decreasing real wages..." (The Times , 2017). On the other hand, the great disadvantage of



this is that many people are moving to in U.K. and work here illegally, what can cause huge problems to employers.

A few years ago, in 2012, it was a scandal with Tesco and immigrants that were working in the company (The Telegraph, 2012). The reason was the fact that many foreign students, who were working on Tesco, were working much more hours than their visa allowed them. The Border Agency officials have arrested at least 20 people for their breaches of visa terms. About seven student, whose personality were not identified, have been deported home. The company should have paid fine about 200,000 pounds for this accident.

One of the important factors of PESTLE is the *technical* environment with such factors as:

- transport infrastructure;
- energy availability;
- technology progress;
- level of technology transfer;
- patent protection and so on.

Let us talk about such a situation as latest technology. Our world do not stop on one place and develop with every new day so it is very important to have good level of technology to satisfy your customers.

Tesco started using technology since the ending of last century. They created its own website tesco.com, which were becoming more and more popular. Now the company is trying to do its best to be more modern and tempt more new customers. They providing more apps for shoppers, like Tesco app, or other apps to make payment quicker and more comfortable, terminals with Apple pay and Android pay for many smartphone users, they are developing the website, which we were talking earlier about and many-many other things to make shopping easier.

From the *legal* environment, different factors might affect, for example:

- employment law;
- competition law;
- policies etc.

We will talk about the laws and licences. In 2009, Tesco has changed its rules about selling alcohol and cigarettes. According to UK's law, anyone who is older than 18 years old can buy this products but in 2009 Tesco provided new guidelines; if you do not look older than 25 and do not have ID or other evidence that you are 18, you cannot buy any alcohol.

It was provided after a scandal in 2009, when in Blackpool Tesco sold alcohol to under-18s. the market lost the court and was fined 6000 pounds.



To avoid any similar cases in future, the organisation has decided to become far stricter in asking for identification from shoppers (The Telegraph, 2009).

The last *environment* that affect different companies is environmental with the factors such as:

- climate change;
- urbanization;
- energy strategy;
- environmental degradation and others.

As all food retailer, Tesco has a problem such as wasting of products. Today many supermarkets throw away the food that people do not buy and that is not used by the expiring date. The Tesco's chief executive, Dave Lewis, said that other supermarket should follow Tesco and reduce wasting of food and other products. "Food waste has been talked about for years, but if Tesco can make this work, with all of our different stores across the country, then why can't everyone... So long as that food is fit for human consumption, I'd much prefer it to go to people than landfill, or animal feed or fuel," he said.

Tesco uses the app called 'FoodCloud' that allows itemise surplus in each store at the end of the day. It lets different charity organisations collect the food and share it. What is more, along other markets, Tesco has signed the Court auld Commitment 2025. It is the voluntary agreement to cut food waste by 20% by 2025 year (The Guirdian, 2017).

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