

Business Organisations and Environments In A Global Context

Executive Summary

The emphasis focuses on analyzing marketing strategies based on the post-marketing environment to accomplish the objective of the concerned organization. Here in this setting, the allocated company is Tesco Plc and the company intends to expand the business in China. Moreover, the various aspects of foreign direct investment decision are clearly pinpointed in respect of the above study.

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Introduction

The business environment in the global context seeks effective evaluation and analysis to determine the current situation and further potential of the business. The study mainly intends to attain the dynamics of business environment factors that have effective support in expanding the business across the globe. The emphasis focuses on analyzing marketing strategies based on the post-marketing environment to accomplish the objective of the concerned organization. Here in this setting, the allocated company is Tesco Plc and the company intends to expand the business in China. In order to expand a business across the globe, it is important to analyze the situation of the marketing environment so that the current potential of the company's marketing environment can be determined in a significant manner. Apart from that, the study focuses on analyzing the analytical frameworks that will help in suggesting the key analytics and current potential of China so that suitability of expansion can be assessed in a significant manner.

Brief Overview of the business organization of Tesco

Tesco plc is one of the renowned retail companies of the United Kingdom's that mainly deals with the grocery and food items. The company has headquarters in Welwyn Garden City, Hertfordshire, England. It was founded in 1919 by Jack Cohen. The company has diversified products that involve books, clothing, electronics, furniture, petrol, software and more besides the grocery (Loonam *et al.* 2018). Tesco has expanded its business over 13 countries with effective marketing channels and capitalization of the business. However, the retail one shop mainly specializes in the food and grocery products as it has witnessed significant growth in the economic parameters by the diversified marketing penetration. This company is also listed in the London stock exchange as it was found to be the 28th largest company of retail in the world in listing them as a constituent of FTSE index 100. Tesco value was operated in 1993 to the Tesco Finest range to reach out the competitive acquaintances for effective marketing growth in further operations (Whitley and Zhang, 2016). Over the years the supermarket chain has evident significant growth as 2500 shops in 15 years were evident. Apart from that, in this setting, it would be important to note that, the multinational grocery has 3739 stores by the end of 2017. Thus the company intends to expand the business in China to witness effective growth and penetrate the market with effective strategies. In this era of modernization, it is important to attain competitive advantage to sustain the organizational growth to play in the competitive marketing field in further professional approaches. In the marketing penetration, the company have a varied range of products and

shops such as Tesco Extra, Tesco superstars, Tesco express, Tesco metro and so on. Thus, this multinational company have a significant approach in entering China's market if effective strategies and situation planning is proposed an expansion of the business invades the aspects of the current marketing strategy of the host country and the company consequently (Begg *et al.* 2018). Finally, it can be stated that the company have a significant option and opportunity to expand the business in China's market if effective marketing strategies and analytical frameworks applied.

Various implications of foreign direct investment (FDI) concerning the organisation Tesco

The definite implications that is mainly relatable with the purpose of foreign direct investment for the company concerning Tesco have created beneficial impacts on the Chinese market. In the context of the study, that has been determined in this particular aspect emphasises upon the fact that the various widespread deregulation and liberalisation of the financial markets have impacted the flow of capital as far as the Chinese economy is concerned (Song *et al.* 2017).

As per the reports published by World Investment, it has been observed the fact that China is ranked the second largest recipient of FDI. Moreover, the economy that is existing in China has been quite stable and experienced a steady growth rate at the same time as the inflow of FDI has continued to increase in the long term as well as in the short run scenario. However, there were certain speculations concerning the different implications of foreign direct investment. The Chinese economy was quite successful in sustain their retail market through the injection of FDI in the country (Long *et al.* 2015). The various governmental bodies that are mainly operation in China has created a favourable environment for the expansion of Tesco as it favoured a market capitalisation rate of 26%. As far as the current scenario of the Chinese market is concerned, it is mainly believed that the Chinese retail sector has mostly been benefitted with the implication of foreign direct investment which has caused immense improvement in the field of logistics and long-term procurement in the supply chain of the different foreign companies. Thus, the statistical figures that are stated above have encouraged the managerial bodies of Tesco to expand its business operations in the Chinese territory. This will improve the various technological developments and the foreign direct investment in the retail sector concerning that of the UK based renowned multinational company Tesco will be benefitted as it is known that FDI in the retail sector has helped the

Chinese economy as they are being considered as one of the ever-expanding retail giants (Cai *et al.* 2016).

Nonetheless, the FDI concerning the economy of China has mainly remained as a formidable force that can also transform the global economy in the future run. Some of the most crucial attributes that have contributed to the various aspect of FDI in China are as under:

- i) Availability of Capital
- ii) Competitiveness and export market
- iii) Encouraging climate for business and the local Chinese market concerning the local retailers.
- iv) Developing a regulatory environment and maintaining economic and political stability which can facilitate the various influx of FDI.

Here, the statistical figures that are considered in case of foreign direct investment in respect of the Chinese economy for the financial years of 2015, 2016 and 2017 are interpreted as under:

Foreign Direct Investment	2015	2016	2017
FDI Inward Flow <i>(million USD)</i>	135,610	133,710	136,320
FDI Stock <i>(million USD)</i>	1,220,903	1,354,613	1,490,933
Number of Greenfield Investments***	876	798	752
FDI Inwards <i>(in % of GFCF****)</i>	2.8	2.8	n/a
FDI Stock <i>(in % of GDP)</i>	10.9	12.1	n/a

Table 1: Foreign Direct Investment concerning the retail sector of China for the three different years

(Source: Tesco PLC, 2018)

Discussion of the allocated business environment_

TESCO being an international retailer and the world’s third largest international retailer has been attempting to widen their franchise in China thereby following an expansion policy. They have adapted to a generic strategy that has helped them to develop their retailing

services further thereby carrying an evaluation of the internal and external aspects of the Chinese retail market. This is further followed by an emphasis on the increased saturation level, which has further helped them to lay focus on the development of a new international market in the country. They have therefore set their target to China due to the immense opportunities of growth that lie within the market. By developing a partnership with Ting Hsin International Group, they have further been able to recognize the vital factor of their Global strategy Alliance successes. This has further helped them to benefit their expansion and growth thereby widening the retention of their partners. They have further been able to lay emphasis on the improvements in their complementary skills and competencies thereby widening their overall capabilities, which has further assisted them to meet all their objectives and targets duly (Wood *et al.* 2016).

With the existing experiences and competencies that lie for Ting Hsin within the Chinese market, they have further been able to provide TESCO with a complete know-how of their market thereby widening their local operating conditions. This has further helped the company to wine their relation with the local operating conditions thereby emphasizing on the growth. This has further benefit o the company's development thereby emphasizing on the creation of a hybrid international strategy that has further been combined with another global integration method so as to focus on meeting their potential customer requirements. They have further been able to develop their communication and interrelationship with each of the market stakeholders in the country thereby emphasizing on the development of their products and services accordingly so as to develop their standard and position within the industry duly (Emlinger and Poncet, 2018).

With the current grocery sales in China of worth £600 billion as noted in the year of 2010, it is evident that there lies a vast set of customers who are willing to avail for their services. The increasing malls and shopping centres have further diversified the chances for TESCO to establish their brand in the country and hope to meet an increased sales and revenue growth. TESCO, therefore, has made an assumption to quadruple their annual sales in China within a time period of 2010 and 2015 rapidly. The current strategies they have adopted to build 50 shopping malls within the country have further added to their advantage, which has strengthened the company's position (Siebers *et al.* 2015). This has further helped them to widen TESCO's global buying power thereby widening their reputation and strength.

With the current growth strategies that TESCO has adopted, has further helped them to focus on their sales growth thereby widening their operating margins by about 6%. This has also noted a rapid chance of increasing the growth of the company's sales growth in the country

due to the increased chances of the customers and their increasing demands. This has further helped them to cope up with the challenges thereby emphasizing on the development of their brand position.

Porter's five forces

In order to expand the business in China's marketing field, it is important to analyse the current situation of China's market as the intensity of competitor's rivalry is significant in the competitive marketing world. An analysis of the industry's structure and analysing the current competition is the crucial aspect that needs focus (Shi *et al.* 2018). Additionally, in this setting, as Tesco intends to expand the market In China this analysis can help in determining the challenges, current potential and opportunities of expanding so that the preparation can be done in an effective manner.

Threats of substitute products: In the retail food industry, threats of substitute is considered low to moderate for food items and medium for non-food items. However, in the retail grocery industry substitutes are considered a major threat as the substitute products and services have the potential to reduce the revenue of the host company. Apart from that, Tesco operates the quality services in the moderate price if compared to the other retail companies. However, in regards to the non-food items such as clothing, electronics and other can witness threat of substitute as it is fairly high.

Threats of new entrants: Threat of new entrants in the grocery industry is considered low as to enter a new market huge capital investment and significant brand fame is required. Here, in this case, being a multinational company Tesco can deal with the new entrants with effective value propositions. Thus, to create a threat for Tesco premium quality, lower price and brand resonance is required.

The intensity of competitive rivalry: In this regards the parameter of competitive rivalry is high for the food and grocery industry. Competition is emerging effectively with the elimination of business cultural disruption and integrated communication. Slow market growth essentially indicates the targeting market to be ineffective. However, threaten Tesco's leadership competition will require effective contingency though the company is new as it has significant marketing approach of the low price.

Bargaining power of buyers: Bargaining power of buyers is crucial in the marketing field as targeting an audience in an effective manner requires effective marketing approach. Here this setting, the parameters can be considered as high differentiation, standardisation and penetration of the products and services are required. However, it is important to note that,

Tesco can be the threat for the speciality shops as it has significant market capitalisation strategies.

Bargaining powers of suppliers: Barraging power of the suppliers can be high if the company targets China to expand the business as the local suppliers will charge a higher price than the company's current suppliers will. However, operating the business in specifically in company's condition can help in this aspect. Negation and strengthening the relation can help in this regards effectively.

PESTLE

The macro-environmental external factors concerning that of PESTLE determining the fact whether the economy in China stands as a favourable option for the growth/expansion of the retail sector of Tesco which are illustrated as under:

Political

The political factors that are determined in the Chinese retail sector have been favourable in promoting the growth of the retail sector. The different types of political events that have mainly come up have favoured the long-term growth of the retail sector.

Economic

The Chinese economy has mainly undergone huge pragmatic reformations and the governmental bodies that are functioning in China have worked hard towards the growth of its economy so as to foster long-term growth benefiting the retail sector of Tesco. It has further impacted the future exchange rate of the Chinese economy on a positive note thus creating a favorable scenario for the investor and managerial bodies who are operating in Tesco Plc.

Social

The growth of the Chinese population has been increasing on a greater aspect. Moreover, China has a greater population that can supply to the existing market a more efficient workforce which stands as a favourable opportunity for the renowned UK based company Tesco plc in order to ensure the various business operations as far as Tesco is concerned (Cai *et al.* 2016).

Technological

The economy that is persisting in China has developed rapid strides in the growth of its technology. This has promoted greater environment which has to lead to a favourable implication as far as the business growth of Tesco is considered. This can be evident from the rapid technological establishment that has to lead to greater innovation in the longer scenario of the Chinese environment.

Legal

For the purpose of encouraging foreign companies to invest in the economy of China, the governmental bodies in China have established a complete legal system for gaining long-term benefits. The most prominent legal system that has been playing a greater role in this respect is Chinese-Foreign Equity Joint Ventures provide legal bases of the foreign-funded enterprises which can help in the protection of the legitimate rights of the investors.

Environmental

The different factors affecting the environment of Chinese have quite high and have caused an increase in environmental pollution and a decrease in natural resources. The governmental bodies have paid attention to eradicating the problems and adopt steps to set up a favourable business environment for Tesco to expand in the longer run.

Conclusion

The entire report study has provided a detailed analysis of the various implications of the growth of the business operations of Tesco in the economy of China. Moreover, the various aspects of foreign direct investment decision are clearly pinpointed in respect of the above study. Lastly, the macro environmental external factors in concern of the expansion of the business operations of Tesco in China has been evaluated with the support of analytical tools of PESTLE and Porter's Five Forces Model.

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