

Exploring the Role of Corporate Social Responsibility Strategies for Business Success

- Taking Tesco as an Example

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Abstract: This paper offers a thorough review of the philosophy and practice of Corporate Social Responsibility (CSR) and its effect on corporate success using Tesco as a case study. CSR refers to the pursuit of profit by a company while taking into account its impact on society and the environment. The paper examines how CSR is integrated into business strategy, in particular how it contributes to customer loyalty, brand equity and sales expansion. The study shows that Tesco is a pioneer in the field of sustainability. Tesco has a comprehensive and successful CSR strategy and has effectively communicated its social responsibility commitment to its customers. The way that consumers view CSR influences their brand loyalty, and there is a positive relationship between CSR and financial success. The degree of connection is dependent on the nature of the activity, how it is carried out, and how it is connected with other approaches to business.

Keywords: CSR, Tesco, sustainability, business success, brand loyalty

1. Introduction

Several academics have examined the idea of CSR from various angles in recent years. The term CSR describes how a business pursues financial gains while considering how its actions affect society and the environment and adopting an environmentally and socially responsible approach to business operations. CSR is a broad term with a variety of applications depending on the business and sector. Companies can strengthen their brand's reputation and employee satisfaction at the same time by implementing CSR programs, giving to charities, and volunteering [1]. A number of intersecting fields, including corporate citizenship, stakeholder theory, business ethics, and corporate sustainability, can be grouped together under the umbrella term of corporate social responsibility (CSR) [2]. The environment, marketplace, workplace, and community were the four categories of CSR themes that these organizations were discussing and reporting on, according to an analysis of the CSR agendas and commitments of the top ten UK retailers. This shows that CSR is becoming more popular in the business sector and is progressively being incorporated into businesses' daily operations [3].

Previous research indicates that the majority of CSR studies concentrate on the connection between a company's financial performance and CSR [4]. which is in line with the theme of this paper. Tesco

is a well-known global retailer and the subject of this essay. This paper aims to investigate how Tesco's CSR strategy affects its business performance. To evaluate the precise effects of these CSR tactics on the business and to comprehend and elucidate the function and significance of CSR in Tesco, the company's case study is employed. In order to maximize CSR strategies' benefits to both business and society, recommendations are also given on how to implement them successfully.

In examining the connection between CSR and business success, it is found that the influence of CSR strategies on a company's business success is intricate and varies based on the nature of the initiative, how it is carried out, and how well it is integrated with other business strategies. While some CSR initiatives, like charitable giving, can improve financial results and sales, other initiatives might not always have the same effect. In order to realize greater stakeholder value, businesses should, therefore, take into account the complex effects of their CSR strategies when developing and putting them into practice. They should also make an effort to integrate these initiatives with their broader business strategy [5].

CSR is a multifaceted and intricate field with several business and social facets. Implementing and evaluating it still presents challenges, despite its widespread recognition as a component of business strategy. To fully realize the potential social and commercial benefits of corporate social responsibility (CSR), future research should concentrate on how to integrate and measure CSR activities more effectively.

2. Case description

2.1. History of Tesco

Since its founding as a market stall in 1919, Tesco has grown to become the largest supermarket in the United Kingdom. In 1985, Tesco became the first large UK retailer to launch its own branded healthy eating collection of reasonably priced, healthful own-label products. The Tesco program has raised £185 million for educational supplies for UK schools since its inception in 1992. The 1990s saw Tesco's global expansion. And ever since, it has dedicated itself to making the customer the center of everything it does in business operations. Tesco has supported Race for Life, an initiative by Cancer Research UK, since 2001. Thousands of coworkers and clients have participated in the Race for Life, contributing to the money raised to support essential research [6].

2.2. Tesco's CSR Strategy

Tesco's primary goals are providing better services to consumers, communities, and the environment on a daily basis as operating responsibly and sustainably could bring more benefits in the long term. [7]. Tesco has included sustainability in its plans, strategies, and goals in order to achieve this. The organization has established four primary sustainability objectives. The first is to attain net zero carbon emissions by 2050 and to completely rely on renewable electricity for all business operations by 2030. The second objective is to source all of the company's cocoa, palm oil, and soya sustainably by 2025 and to decrease the use of chemical pesticides by 2030 to promote sustainable agriculture. The third, reducing food waste through supply chain and operational improvements, with a goal of eliminating plastic packaging entirely by 2025. The fourth is promoting the shift to electric mobility by putting in place 75kW rapid chargers in every store by 2023 and having an entirely electric delivery fleet by 2028 [6]. Tesco is a leader in sustainable retailing, and these targets demonstrate how the company is integrating sustainable practices into every part of its operations.

Tesco is leading the way in sustainability. Being the first FTSE 100 business to pledge to adhere to science-based goals under the 1.5C target of the Paris Agreement [6]. Tesco has launched a number of CSR programs in 2022 and 2023, which demonstrate the company's dedication to sustainable business performance. To speed up sustainable innovation in its supply chain, Tesco, for instance,

introduced a new accelerator program in 2022 in collaboration with WWF. The program's goal was to integrate innovative start-ups with Tesco suppliers. The program's objectives are to improve food security in the UK and lessen the negative environmental effects of food production. Tesco stated in 2023 that it would incorporate at least 30% recycled trays into newly designed packaging. A considerable percentage of Tesco customers want to eat healthier and want supermarkets to assist them in doing so, according to research, which prompted Tesco to launch the Better Baskets campaign, which aims to assist customers in overcoming the obstacles to making healthier choices when shopping.

Tesco presents a thorough and successful CSR strategy in the report of the corporate responsibility review [8]. First, by incorporating CSR into its "steering wheel" management tool, the company makes sure that it is an integral part of its governance and daily operations. Tesco additionally prioritizes meeting customer needs by supplying high-quality products that are ethically and sustainably sourced, providing competitive compensation to employees, and encouraging diversity and inclusion in the workplace.

Tesco also focuses on communicating with and attending to the opinions and needs of all stakeholders, including customers, employees, investors, non-governmental organizations (NGOs), and suppliers. Tesco promises to raise its share price and earnings for investors. Tesco supports government policies by lowering unemployment and creating jobs while also assisting its suppliers in meeting sustainability standards, actively participating in community development, implementing environmental initiatives like reducing emissions, and endorsing the electric vehicle system. Tesco has positively impacted the economy on the economic front by creating job opportunities, offering skill development programs, bringing life to underserved areas, and establishing enduring partnerships with suppliers. Tesco demonstrates its commitment to social responsibility by implementing programs that promote healthy living and education, funding charitable causes, offering decent working conditions, encouraging diversity, and upholding human rights throughout its supply chain. Tesco prioritizes the sustainable use of energy, water, transportation, and recycling when it comes to environmental sustainability. It also takes environmental factors into account when sourcing food and other products. Finally, Tesco actively supports Fairtrade and offers an own-brand range of Fairtrade products to guarantee that producers are paid fairly.

By giving its employees shares, Tesco allows them to participate in the company's success as part of its "Sharing in Success" program. Tesco is dedicated to lowering product prices for its customers while streamlining internal operations and generating savings from its "step-change" efficiency drive. The company also prioritizes the reuse of abandoned sites and the revitalization of underprivileged communities, generating a significant number of jobs in the regenerative sector. By extending the production season in collaboration with British farmers, Tesco has decreased its reliance on imports. Ultimately, Tesco has proven its dedication to and support of its supply chain partners by forging enduring bonds with suppliers in order to collaborate on enhancing productivity and profitability.

3. Analysis of the Problem

3.1. Tesco's Market Competitiveness

As a multinational corporation, Tesco operates in nine non-UK markets and has fully owned grocery retail operations abroad. Tesco's main business focus is still on the UK in spite of this, and its dependence on this one market may reduce its ability to compete internationally. But Tesco's position is still solid in its home market of the UK. With an annual revenue of over £39.7 billion, Tesco is presently the biggest online grocery retailer in the UK market and is regarded as one of the "Big Four" of food retailing in the country. Over 60% of the UK grocery market is held by these four companies collectively [9].

Tesco's CSR strategies helped to establish the company's reputation as a responsible business. However, moral lapses like the horsemeat scandal in 2013 and other incidents have damaged Tesco's reputation in recent years, which has lowered public trust and image. These occurrences have demonstrated that Tesco still has difficulties upholding its reputation and trust among consumers, even in spite of its impressive performance in terms of competitiveness and market position.

3.2. Relationship Between CSR Strategies and Brand Loyalty

As consumers become more aware of CSR, CSR considerations are taken into account when making product selections. Studies have indicated that consumers' choices are somewhat influenced by their perception of CSR, particularly when it comes to brand loyalty [10]. It's important to remember, in particular, that brand loyalty is greatly influenced by consumers' opinions of a company's obligation to its patrons.

At the core of Tesco's mission is providing customers with high-quality services in an ethical and sustainable manner. Tesco has successfully carried out its objective by informing customers of its dedication to social responsibility, which has significantly improved its standing as a leader in sustainability. Positive consumer perceptions of Tesco's social responsibility contribute to a rise in brand loyalty. For Tesco, increased brand loyalty not only strengthened its reputation, but also promoted repeat purchasing behaviour among consumers, which in turn drove sales growth.

Tesco faces challenges to its global competitiveness, particularly in light of constrained global competition and a tarnished public image. Nonetheless, brand loyalty and its social responsibility efforts have a positive association, suggesting that the company may, to some extent, maintain and increase consumer loyalty through its social responsibility programs. Tesco needs to put more effort into upholding its reputation and improving its CSR initiatives in order to build customer relationships and brand loyalty and to further increase its competitiveness in the market.

3.3. Impact of CSR Strategy on Tesco's Finances

Tesco's CSR strategies have had a positive impact on its economy. These strategies have not only improved the company's social image, but also enhanced customer loyalty, which in turn has contributed to sales growth. Throughout the 2022–2023 fiscal year, Tesco's comparable sales in the UK increased gradually. Specifically, the largest rise, at 8.1%, occurred in the fourth quarter. Tesco's overall revenue and return on investment in the UK surpassed £60 billion in 2022–2023 [11]. Over the past five years, the market shares of the major UK supermarkets have stayed comparatively steady. Tesco and Sainsbury's combined have 42.2% of the market share as of October 2023, making them the dominant players in the industry [12].

According to Tesco's Corporate Responsibility Review, the CSR strategy has had a beneficial financial impact, greatly advancing economic development through the creation of jobs, employee upskilling, community revitalization investments, upholding of solid supplier relationships, and employee share plan incentives. Tesco's financial turnaround shows that the business strikes a balance between continuing to grow and returning capital to shareholders. In the last 12 months, Tesco's 2,318 locations worldwide have sold a record £33.6 billion in goods. The company has been able to positively impact the economies of the areas in which it operates thanks to its exceptional performance. These contributions include providing customers with better value, especially for low-income households, enhancing productivity and skills, revitalizing underdeveloped areas, and fostering strong and long-lasting relationships with suppliers. With more than 326,000 workers spread across 12 nations, Tesco is a major force in job creation, skill development, and economic advancement. Tesco has added 16,000 employees in the UK while its global operations have added 14,000 new jobs. Tesco offers its workers a genuine stake in the company's success by increasing

their holdings in the company's shares, in addition to the financial advantages of paying wages and local taxes. In June 2003, Tesco gave shares valued at £89 million to over 147,000 workers in the UK. Thirty per cent of these shares were acquired under Tesco's newly designed profit-sharing scheme, of which £57 million were allocated to all employees who have been with the company for more than a year as part of the "Sharing in Success" campaign. Moreover, Tesco offers a 20% discount to its staff members who purchase company stock. Tesco received financial support in the form of £3,247 million for salary, pension, and bonus costs; £498 million in tax paid on profits from ordinary activities; £516 million for shareholder dividends; £223 million for net interest expense; and £584 million for profits retained for growth [9]. By the end of 2023, Tesco anticipates making an operating profit of £1.4 billion to £1.8 billion. However, Tesco's earnings declined 6.3% in the 2022–2023 fiscal year, and it is unlikely that they will rise this year due to more spending having a detrimental effect on profitability and the persistent effects of inflation on consumers and suppliers. Despite these obstacles, the company is rising to the occasion, and the group has managed to boost the value of its shares by 1.8% [6]. Overall analyses indicate that Tesco is having financial difficulties in an unfavorable economic climate, which is indicative of the challenges the company is facing in its commercial success.

4. Conclusion

Tesco is committed to incorporating corporate social responsibility (CSR) into its business operations, as evidenced by the broad focus of its CSR strategy, which includes community support, healthy living advocacy, environmental protection, and fair trade. Tesco has boosted customer loyalty and improved its brand image through its CSR strategies. These efforts have also improved Tesco's social reputation and helped to increase sales. Research indicates that Tesco's CSR strategy and business success are significantly positively correlated. Tesco's quarterly same-store sales in the UK and Ireland have grown. According to the study, Tesco is confronted with business challenges, including inflation, despite its notable advancements in the implementation of CSR. Tesco needs to continually enhance its corporate social responsibility strategy to effectively address these issues.

By examining the Tesco case, this article emphasizes the critical role that CSR plays in contemporary business, specifically in boosting sales and brand loyalty and improving a company's reputation. In addition, the article discusses opportunities for leveraging CSR to create business and social value while identifying potential implementation challenges, such as market pressures and economic volatility. Future studies should examine how CSR initiatives affect consumers' decision-making and purchasing patterns, as well as how these behaviors affect businesses' sales and profits. In addition, future research should aim to develop more effective tools and methods for assessing the social and economic effects of CSR activities to help companies better understand and optimise the returns on their CSR investments.

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