

Cost Benefit Analysis of Tesco

Benefits

The expansion of Tesco's gives jobs to the local community especially if the growth is externally as usually convenience stores are family run meaning only a few jobs go to outsiders but Tesco's will not have the same preference so young members of the community and older members have a job.

Also, Tesco's prices would actually be cheaper than the convenience stores due to economies of scale. Tesco can buy in greater bulk than the convenience stores and this cuts costs allowing Tesco to cut product prices. This also gives Tesco extra revenue and that can be used to give workers a pay rise giving them an incentive hence a better service for the consumer. Furthermore, as Tesco's is a big name and do not want it to be tarnished they will make sure their goods are of the highest standard to avoid public humiliation.

Tesco's economies of scale let them buy in bulk but they can also purchase a greater variety of products. For older members of the community travelling into the CBD can be difficult so if the local Tesco's has the same products then it helps the community and even saves them money as they do not need to drive into the CBD to purchase their groceries.

Tesco's would wish to have the area around one of their stores in good condition and this may prompt the council to pay special attention to the area or Tesco's may even hire cleaners. This would make the area seem cleaner and this would benefit the community as they did not have to pay and if it is a run-down and poor community then this could be extremely beneficial. Also, crime may fall as the security at a Tesco's is superior to that of a convenience store, Tesco's will have security guards whilst a convenience store will have basic CCTV.

Costs

If Tesco's discover that their recent venture into this area has not been successful they may bail themselves out with the revenue from other stores and this potentially could leave a poor area without a local corner shop. This would affect elderly people as they may have to go out on very cold days to the city centre just for milk. Also, the jobs established when Tesco's took over will be lost and will cast a sense of insecurity over a community especially if work is hard to find. Furthermore, the CC has already shown it is not doing its job efficiently to allow Tesco's to get to current position so their will not be anything stopping them.

Also, if Tesco's dominate the area and establish a local monopoly then they can jack up prices as there is little alternative for the local consumer. Furthermore, the service could fall as the consumer would have little choice and the amount of sales would appear, on face value, that the consumer is happy but in reality they are dissatisfied but have no other place to buy. Tesco's could put the local convenience stores out of business as people would rather go to Tesco's than a smaller convenience stores and this is not good for the local economy.

People who may live very far from the CBD but not so far from the new local Tesco's will drive their and produce air pollution reducing the living standards of the locals. Also, Tesco's security guards may deter petty criminals but Tesco's earn more money than a convenience store and may attract the attention of hardcore criminals and security guards are not equip to deal with armed criminals especially if the store is situated in a deprived area. Also, people are more prone to fly-tipping and general littering where there is a crowd.

Conclusion

I conclude that a local Tesco's in respect to my local precinct has been a success yet certain measures are needed to allow the local consumers and businesses to survive. There are no convenience stores within a mile of my local Tesco's and the traffic was terrible due to irresponsible parking; this has only been resolved with the building of a new car park. Also, if this Tesco's were to close then the local council estates would be left with no stores and the bus service in the area is below standard. However, the benefits outweigh the costs in this situation.

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