

Ecommerce and technology

[Business](#), [E-Commerce](#)



Change occurs from time to time and is inevitable to all organisations, notably technology. It is undeniable that E-Commerce is a useful tool for companies to break the restriction on area, time and space to expand their business. Electronic commerce is about “ the whole online process of developing, marketing, selling, delivering, serving and paying for products and services transaction with the support of worldwide networked” (O’Brien & Markas, 2011).

Tesco may be a good example of how business integrates in-store and E-Commerce well through technology development. This report will therefore analyze what extend of effect that e-commerce and technology can make on retailers, taking Tesco as a case study. It will first of all describe the business modal of Tesco. Secondly, an assessment of Tesco’s competitive environment will be analyzed. Finally, two new recommendations will be given to adapt to Tesco’s potential growth.

1. Business Model Timmer (1998) defines the ‘ business model’ as an architecture for product, service and information flows which encompasses descriptions of the roles and the potential benefits of the different business actors and the sources of revenues. In other words, business model is a summary of how a company is going to generate revenue by identifying customer needs, organising resources and etc. According to Appendix 1, Tesco’s business model is divided into three vital parts – core activities the virtuous volume circle and enablers – whilst the core purpose is to build the valuation of customers to gain their eternal loyalty.

1. Core activities Value proposition is one of a component of business model. Tesco undertakes various types of attempts to combat problems from the customers and products. For instance, in 1995, Clubcard was commenced and in 2008, Tesco launched the ' Every Comment Helps scheme. Clubcard is a success which was widely credited in boosting sales and turnover and strengthens their ranking in the world, by working with dunnhamby[1] (Townsend, 2010). Dunnhamby uses the data generated from the feedback and loyalty scheme that assists Tesco in focusing customer first in business to make improvements to overcome the issues rose from the customers. In Tesco annual report 2011, customers satisfaction had increased 7% from 2010.

1. Virtuous volume circle This virtuous circle is designed primarily for Tesco to manage its resources by continuously developing the relationships with not only customers but also suppliers to create mutual benefits. Moreover, owing to the fact that Tesco is an outstanding business, especially in the UK, Tesco can definitely benefit in economies of scale by buying products from suppliers in low prices and thus provide low price products and rewards to retain customers instead of finding a new one.

1. Enablers The enablers encourage the maximisation of the possible core activities and assure that the activities are undertaken in a system that can be continued for the advantage of the customers. Tesco's concept is to make things better, simpler, cheaper and faster. These attributes are implemented in Tesco as a whole that enhance the value chain structure. Tesco reveals that its distribution system is performed in two ways. " First, we forecast

what customers will buy, using sophisticated, detailed models to consider variables such as seasonality, weather forecasts and likely response to promotions. Second, our ordering systems automatically update in real time based on what customers do actually buy, so that we can quickly and accurately supply stores with the right products at the right time.”

(TESCO PLC Annual Report and Financial Statements 2012) For instance, the usage of energy is alleviated by approximately 45% in a new distribution centre that was built in Jiashan, China (Tesco plc, 2012). Williamson, Harrison and Jordan (2004) indicate that Tesco Information Exchange (TIE) allows Tesco to exchange trading information with suppliers in a real time basis which saves time and enriches the quality and efficiency of service, production as well as distribution.

Tesco brand is one of the core activities that are focused at the moment. It is immensely useful for Tesco to focus on the market segment. Tesco bank is another good illustration. It offers good deals by charging no interest on balance transfers for 22 months with a 2.9% balance transfer fee (Tesco Bank, 2012). Insley (2012) believes that Tesco Clubcard credit card is one of the best credit cards for huge spenders who intend to pay their debt gradually.

This business model has found that generally Tesco is implementing the CRM system supported by three phases mainly to increase profitability and focus more on customer need. Tesco has undertaken various schemes include sales, marketing, customer service and support, retention and loyalty program and so forth which are tailored specifically for the customers to

ensure revenue generation and margin. In 2011, Tesco has purchased BzzAgent[2] worth £37m (Chapman, 2011). It clearly shows that a good business model with high quality of information system is an integral part for an e-commerce organisation by acquiring then enhancing and most importantly retaining the customers.

1. An assessment of this organisation's competitive environment. Competitive Environment In the competitive grocery market, high-tech use by supermarkets is an inevitable trend to reduce the cost on operating activities and, more importantly, to manage customer relationship. Aiming to catch up with the technology-oriented trend, grocery companies are developing their own technology cooperating with other technology entities. The following part will describe an assessment of Tesco's competitive environment using the SWOT analysis.

1. Strengths Tesco, not only beating its competitors with its high market share, but is also still leading a changing role in information and technology development. According to Mike McNamara (2012), the chief information officer, new retail technology development in Tesco is aiming at personalising customers. Firstly, Tesco is stepping up to win the commuters with the Commuter Zone (Quinn, 2012). The function of the zone is to group together the high-quality products and sort them for busy commuters. This technology is to meet business people's need on quick and easy access to great food at great value.

Secondly, Tesco is improving its online shopping service by nearing the 3D ecommerce offering. According to Chapman (2012), by integrating the online

experience and the traditional in-store shopping trip, a virtual Tesco store has been built for customers to shop through their TV. With greater bandwidth, availability of motion-sensor technology, on devices such as the Xbox, and the rapid use of HTML5, shopping for 3D products is becoming possible. Furthermore, The Scan As You Shop is a very popular one which enables customers to scan their shopping instead of leaving all at the end for check-out. As an advanced innovation in supermarket checkout system, it saves customers' time without queuing and also adds some fun in their shopping.