

Tesco approaches to add value to their customers

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Tesco approaches to add value to their s Chosen retailer: Tesco Retailer profile Tesco is the second largest retailer in Great Britain (recently overtaken by Sainsbury in first of 2011) and the third largest supermarket in the world. Its market share in the UK retailing industry is 12. 5% and it controls over 30% of the grocery market which is 75% dominated by four major players Tesco, ASDA, Sainsbury and Morrison (Dobson et al 2008). Tesco has 2, 440 stores and has an employee of more than 4, 000, 000 people. Its online grocery store [www. tesco. com](http://www.tesco.com) is recognized as the world's biggest online grocer in the world. It has its own-label products which accounts approximately 50% of its sale.

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The competition in the retail industry is tough. Especially in the grocery sector where Tesco is competing because margins continue to shrink with more and more players entering the industry that intensified the already competitive environment. In order to survive and thrive, retailers have to add value to their customers otherwise perish in the competition.

To add value, discounting for product does is not that potent work anymore. This marketing implement has its limits also because if frequently used, retailers will enter in a destructive cycle of cutting each other's throat with the diminishing margins wrought by excessive discounting. In addition, excessive discounting might negatively affect the image of the retailer as "cheap" and thus, undermining its position to sell at a premium.

In the case of Tesco, they employed several unique approaches in adding value to their customers. First is differentiation, or creating new selling proposition that would be differentiate the retailer from its competitors and

be successful in the market. Second is the strengthening of the infrastructure of its customer service delivery to enable the retailer to better satisfy its customer as a value adding proposition.

With differentiation, Tesco concentrated on the “white space market” when it entered the United States retailing industry. Many experts predicted that Tesco cannot replicate its success in the US retail market because the industry is already saturated. But instead of competing head on with the established retailers such as Walmart, Tesco differentiated itself by offering the added values of good food, good value, convenience and environmental sensitivity to the American consumer (Lowe and Wright, 2010).

Also, Tesco invested in intangible value adding facilities that would enable it to better serve its customers with enhanced customer service as a value proposition. It invested heavily in technology in 2009 to make it more responsive to customer's needs and become more efficient. It upgraded its in-house designed supply chain application to be the best in the industry that enabled Tesco to increase the availability of its stock and reduced warehouse stocking resulting in the more efficient operation of its warehouse and ultimately, in a more competitive price coupled with better service.

Tesco also added value in terms of service by opening the company's online retail store [www. tesco . com](http://www.tesco.com) which recognized as the world's biggest online grocer in the world. It has its own-label products which accounts approximately 50% of its sale.

It is no wonder why Tesco is considered as UK's second largest retailer and the third largest retailer in the world because it constantly think and rethink of ways to add value to its customer to make the company competitive.

References

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