

Case study tesco business essay



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In UK one of the fast growing business sectors is retail industry. Retail market is set to increase by 15% over the next five years, taking its value to just over £312bn (UK retail futures 2011: sector summary, data monitor). Retailing consists of sales goods to the consumer from a fixed location. Where, the consumer can buy the product what their needs. Retailing may include subordinated services, such as delivery. This makes the consumer life easy. They are close to the customer. Today people are busy, they don't have too much time for buy the convenience goods searching different place for the different product. They want everything in the same place. Which will save their time and makes life easy. Now a day, every retailer is a Brand by their own name. Consumer feels proud to be a consumer of a particular retailer. Every retailer has the different marketing policy with the different segments of market. Every time they are bringing something new to the customer to attract with their brand or to be a proud consumer with the brand.

In UK there are many retail shops, like - Sainsbury's, ASDA, ALDI, Co-operative, Summerfield, Tesco etc. Among them here we will look at Tesco.

TESCO Plc:

Tesco Plc, is one of the leading retailer in UK market. It's a British international grocery and general merchandising retail chain. Now, Tesco is the UK's largest retail market chain. UK's largest supermarket chain Tesco plc is operating their business with the different countries of Europe, USA and Asia. In 1919 Jack Cohen bought a shipment of tea from T. E. Stockwell and used those initials and added the first two letters of his own name, the brand TESCO.

According to the data of Feb'10, Tesco has 4811 stores in different location with 440, 000 employees. Which revenue was £62. 54bn (Feb'2010). Tesco has six different categories of store. Which are differentiated by size and range of product sold.

Tesco extra

Tesco superstore

Tesco metro

Tesco express

One stop

Tesco Home plus

According to TNS Worldpanel, Tesco's share of the UK grocery market in the 12 weeks to 27 December 2009 was 30. 5%, up 0. 1% on 12 weeks to 27 December 2008 largely in line with the increase of the other four largest supermarkets.

Supermarket

Market Share

December 2009

+/- from

December 2008

Tesco

30. 5%

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â-² 0. 1%

Asda

16. 9%

â-² 0. 1%

Sainsbury's

16. 3%

â-² 0. 2%

Morrisons

12. 3%

â-² 0. 5%

Club Card – Innovation

Introducing Clubcard – the loyalty card is the great innovation for Tesco. In 1995, Tesco launched the Clubcard which is operated by Dunnhumby Limited, a private company now majority owned by Tesco. After two slight amendment to the design it was re-launched in 2005. But in 2007, it becomes most popular. Customer can get 1 clubcard point by spending £1 around thousands of product range. When customer shopping at Tesco, customer can also get double point on special offers. For every 100 clubcard point customer will £1 voucher. When tesco offers for double clubcard point the number of card holder increased by 1million in 2009/10 market year.

Tesco have recently launched both Iphone and BlackBerry application to collect the clubcard point.

Every time when customer purchases anything from tesco just before pay the money an automatic ask to scan the club card (self service, or the customer assistant ask for). When they scan the club card the card got some point - depends on the product. This change relates with the huge technological involvement. If we think the technology simply then -

First, the mechanically identify the product and the club card point on that particular product.

2nd, Identify the personal information of the consumer

3rd, maintaining and updating all club card point accurately

This is not a simple task. This needs to have analysis the shopping pattern of millions of customer transactions, across the tens of thousands of products. Tesco needed to translate the insight gleaned from terabytes of information into actionable marketing and retailing program.

What is innovation?

Innovation is a break though idea or approach that can be completely new or an enhancement to something that already exists. Innovation is something that adds value, creativity is something new. Sometimes innovation thought the technical achievement even the design as well.

Innovation comes from the invention. Invention becomes useful when the inventor offers it to the public use. It could be any product or service. Then

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the invention comes to the innovation. An innovation either small or big - it doesn't fact. Sometimes any small innovation could make a huge difference within the community or in the industry. The types, industry and style of innovations are not same for all. It differs according to the industry or time or situation. There are various types of innovation like -

Product innovation

Service innovation

Operational innovation

Marketing innovation

Business model innovation

Process innovation

Positioning innovation

Supply chain innovation

Partnership innovation

Portfolio innovation

Actually all kinds of innovation is the result of the business needs. Time to time business needs make a demand for an innovation. If we think about the JIT (just in time) production, it's the demand of time in the business. Obviously the technological enhancement has a big role in innovation.

Why club card an innovation?

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Simply the club card is the loyalty card. When the consumer purchase any product then they asked for scan the club card and they get a certain points on that particular product. In 1993 when TESCO first think about the customer benefit no other company thought like this. Tesco was thought about something new which will create an extra value on their customer and the brand image. So that they can say - " we know our customer, we care our customer." Then various companies thought like this. And then they introduce the loyalty card in different name.

Now tesco has the database of their 15million customer those who are using the club card actively. This number is twice then the total population of London (According to the London. gov. uk , total population in London is over 7. 5million). There is no other company has got such a huge database of their customer. It's a breakthrough idea, which never happen before. Tesco is the leader to introduce the customer loyalty card - which will give something extra to the customer when they shop with tesco. For every 100 club card point customer get £1 gift. For any kinds of promotion they can easily use this database to bring close to the customer.

Obviously there are some benefits of an innovation like -

It creates a significant value for the business society

Spurs the productivity and economic growth

Fuels wealth creation and profit

Generates the high value

Strength the brand name

Makes the company market leader

Customer feels better

Increase the market share

Increase the share holders return

Increase the employee motivation

Increase the new opportunity of business

Create the significant differential and market space between the competetors

Open a new market through the customer demand

There are lots of benefits of an innovation. Does club card creates any benefits for Tesco? Yes. Now the customer for tesco feels an extra value when they shop with tesco. They feels proud. They feel the company is taking care of them. For any kinds of business customer is the main wealth. When the customer is satisfied then no other things can make any barriers for growth of the company. Now in UK, tesco is the market leader of the retail industry. Its share return is also heigh. The Brand name of tesco is also has an extra strength. For any kind of promotion they make the customer close by their loalty database.

Change and innovation:

Innovation is the key for change or we can say just innovation can bring the change. From the corporate sector to our day to life every change is because of the innovation. Perhaps 15 years ago nobody thought about the Ipod or they will play their favourite songs with the small device. They were happy with the audio player but now it seems unusual to carry a large size of audio player - just because of the innovation. Only the innovation can create a huge change in the community or even in the world and industry.

Kurt Lewin's Three-Step Process:

In 1951, Kurt Lewin introduced his three step change model. According to Kurt Lewin, "behaviour is a dynamic balance of forces in opposite directions".

Driving forces arise the change because they force the employee to change. Resistance forces employee to the opposite directions. Lewin's three-step model can help to make a balance in between the planned change and resistance.

According to Lewin, the first step in the process of changing behaviour is to

Unfreeze the existing situation. The situation is considered the equilibrium State. Unfreezing is necessary to overcome individual and group resistance. Unfreezing can be achieved by three methods. First, increase the driving forces that direct behaviour away from the existing situation. Second, decrease the restraining forces that negatively affect on the existing situation. Third, find a combination of the first two methods. Sometimes the motivation could be the effective tools to preparing them for change.

Building trust and recognition is need for change. Make the group more intimate with the organization is another system to bring the change.

(Robbins 564-65).

In Second stage changing movement comes into in action. Change agent needs to do some target change in action in this level. Here the agent can take three steps for the movement- perusing the employee to agree the new change situation and cheering then to view the problem from a fresh perspective and finally behave and work as team by sharing all relevant information and important things for the new system.

The third step of Lewin's three-step change model is refreezing. Once the change brings up in the second step then this is step to observe the implementation of change for a certain time period. It is the actual integration of the new values into the community values and traditions.

Purpose of this stage is to stabilize the new situation and make a balance in between the driving and restrain forces.

(Robbins 564-65).

Management process of change:

There is a very close relation between kurt-lewin model and the management process of change and the change management. For any change management following steps which called management process of change.

Trigger Layer

Vision layer

Conversion layer

Maintenance & renewal layer

Trigger layer - here management critically analyse the causes, opportunities, threat, crisis, clarify, express and communicate for the requirement of change.

Vision layer - Change agent consider all the possible options with the future challenges, excitement and innovation and also examine the consequences of the changes.

Conversion layer- makes the change in to the action. Here is main challenge faces the organization.

Maintenance & renewal layer - In this stage management justify and evaluate and monitor the change and if necessary they make some change within.

What about Tesco club card?

Every innovation comes through the process of kurt-lewin change theories.

On the other hand, we can say the innovation comes through the management process. For tesco club card nothing out of this. Introducing Club card - the loyalty card is the great innovation for Tesco. When they think about the customer benefits in 1993 the management process begins. Which change the human shopping habit a bit.. In 1995, Tesco launched the Club card which is operated by Dunnhumby Limited, a private company

now majority owned by Tesco. After two slight amendments to the design it was re-launched in 2005. But in 2007, it becomes most popular when Tesco offers the club card point and the 100 club card point equals £1 voucher. If we think carefully then its not hard to separate the trigger layer, vision layer, conversion layer, maintenance and monitoring layer of this innovation of the Tesco club card. 1993 was the trigger layer, till 1995 was the vision layer, till 2005 was the experimental session and the final invented service of the club card comes in the 2007. Monitoring layer is continues process of any innovation.

Manager's role to implement the change or innovation:

Change comes with the opportunity or sometimes it could be threat for the organizations. Again the some changes could be the opportunity for some organizations and the same changes could be the threat for other organizations. Either the change would be the threat or the opportunity it depends on - how well the managers are adopting with the changes. If they are successful then they could be beneficiary otherwise they could be in great threat to lose their business. (Page -230, 231/ Fundamental of management)

A manager works as a change agent for the organization. A change agent is the person, who initiates and assumes the responsibility for managing the change in the organization. If the organizations can deals successfully then the change could be the opportunity for the organization. So, it's very important how the organization deals with the change resistance.

Manager called the change agent. They are the main key who implements the innovation in the real work. It's not an easy job. There are lots of resistance to bring a new system over the existing one.

According to Kotter and Schlesinger (1979), there are four reasons that certain people are resisting change:

Parochial self-interest: Some people are more concern about themselves. They always think how the change will effect on them rather than the business. They are worried about their own then the business success. They don't try to think about the business.

Misunderstanding: Communication problem is another factor of being resisted to change. Sometimes the change agent can't give the proper massage or the inadequate of information could make the misunderstanding among the employee.

Low tolerance of change: Some people feel lack of security on their personal status on job. They think they could not be able the match with the changes. They might lose their job or stability of work.

Different assessments of the situation: Some employee might not be agreeing with the change reason. Sometimes they might be disagreeing with the advantage and the disadvantage of the changes. In that case, if the change does not serve the purpose successfully then the other people blame on the change agent.

Managerial roles in innovation:

Manager has the key role to make the innovation successful. They resolve the resistance of change and make implement the innovation successfully.

Kotter and Schlesinger have also set out the following six (6) change approaches to deal with change resistance:

Education and Communication.**Participation and Involvement.****Facilitation and Support.****Negotiation and Agreement.****Manipulation and Co-optation.****Explicit and Implicit Coercion.**

Beside these the manager can do other things to make the innovation successful within the organization.

Establish the needs for the upcoming change or setup of the innovation within the organization. Define the success in market terms by creating an external focus over the market and the competitors.

Be the clear thinker with the deep knowledge of the upcoming change within the organization.

Encourage the employee with the imaginary power, to lead the success of the implementation of innovation.

Energize team with the communication; make them a part of the change or creating the innovation. Make them proud to be a part of the innovation. Let

them think they are doing something which will lead in the future. Give them a dream of innovation. Increase then internal communication with the team member.

Obviously the monitoring.

All of these could lead to the implement of an innovation successfully within the organization.

Role of an organization in innovation or change:

For the implementation of an innovation or bring a change within the organization is not a simple task. Here organization must have to involve along with change agent. The main plan to bring of an innovation or change comes from the organizational step - huge involvement. Technology management cycle is the core things for any kinds of change or innovation. It starts with the concept of innovation and final stage is reflection of the concept. It is a continuous process. Only the change is unchangeable things.

In the management cycle the manager gather different types of idea of change in the concept stage. Then try to find out the best possible action to take on. Then move to the experiment stage. Here management try with the chosen action - how they are working. Is it ok to satisfy the management demands? This the experience stage of the management cycle. Finally the monitor and evaluate the actual performance and bring some possible change if necessary. Here, again starts with the generating new idea.

To make a successful change or an innovation organization must have some important roles beside the management cycle. Like -

The organization must have to create a strategic vision

Establish process to convert the idea with to innovation

They must allocate the resources

Reward the innovation result

To bring an innovation or create any change the organization must have focus on few important things as well -

What would be the benefits of the customer or organization or stakeholders

Consider the acceptable turn over

Consider the value adds to the value chain.

Again, did tesco followed this management cycle or Tesco had any role to bring this change? - If we evaluate the history of bringing the club card then, the management first think about 1993. Then in 1995, they launched the loyalty card. And in 2005 they re launched with the modification and it becomes boom popular in 2007 with new point system. Obviously that was a management cycle. And if tesco hadn't any organizational vision or they wouldn't establish any process to bring the idea to the final innovation, it wouldn't never true. Tesco did every step and they had huge involvement to bring this successful innovation - club card.

Conclusion:

Now a day, customer not only looks at the product. They also look how the company is treating them. How they serve to the customer. Customer wants

to be proud – they want to feel better to shop with. They are spending their money. They have the right to want something in return. Tesco is one of the companies who think about their customers. They also look at the strength of their brand image. Club card is the great innovation of Tesco. By providing a club card they have created some value for the customer. And to bring this loyalty card from dream to reality Tesco followed the management cycle, management process and established a process to convert the idea to innovation. Recently Tesco has launched both an iPhone and BlackBerry application to collect the club card points by presenting the barcode on the handset instead of a present key fob or club card. Hopefully in the future Tesco will update their club card system with the new innovation. Innovation never ends it is a continuous process. Only change is unchangeable things in this world.

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