

Change of logistics in tesco analysis



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In this paper, the key subject focuses on the change issues facing Tesco in the next five years, especially on the logistics. The operation process of change makes huge headway towards the modern Tesco's supply chain

Tesco plc is a British international grocery and general merchandising retailer. This company operates 4331 stores in 14 countries around in the UK, other European countries, the US and Asia (Tesco PLC. Company Profile, 2009). Tesco is headquartered in Hertfordshire, the UK and employs over 470, 000 people. Tesco was founded in 1919 when Jack Cohen began to sell surplus groceries from a stall in the East End of London (Tesco: Our History, 2007). It is the largest retailer in British by both global sales and domestic market share. Behind Wal-Mart and Carrefour, it is the third largest global retailer. Originally specializing in food and drink, Tesco has diversified into fields such as clothing, telecoms, car insurance, financial services, health and dental plans, retailing DVDs, CDs, magazines, music downloads, internet

services and software. The core purpose of Tesco is to create value for the customers to earn their lifetime loyalty.

In this paper, the change of logistics in Tesco is investigated. It falls into three parts, which starts with the fundamental situation of logistics in Tesco. The importance of logistics in Tesco and the current logistics management are presented in this part. The second part investigates the change issues facing Tesco in the next five years, such as strategic change, structural change and technical change. In the third part, barriers and resistance to change are identified. Besides, necessary steps to changes and the different viewpoints of change implement are also involved.

2. 0 Logistics in Tesco

The business reformation of Tesco in the last 30 or more years is one of the most remarkable stories in British retailing. The organization has become one of Europe's leading retail businesses with retail operation in countries as far-ranging as South Korea, Turkey, Poland and Ireland (Tesco PLC. Company Profile, 2009). In common with other large retailers, Tesco buys goods from suppliers into regional distribution centres, for preparation and onward delivery to its stores. Logistics management is the part of the supply chain which plans, implements and controls the storage of goods and related information to meet the customers' requirements. The logistics function is one of the links between production and consumption. Over the last decade there is a growing opinion that logistics is not merely a strategic activity but is important in strategic terms (Sparks, 1986). It is no exaggeration to say that if there is no logistics, there would be no Tesco.

The current logistics of Tesco is different from the origins of the organization. In 1970s, the supply chain required to deliver comparatively simple products to lots of small high-street stores. Now the current supply chain is in the delivery of all kinds of products in a modern Tesco Extra hypermarket, or in the Tesco Express stores located in busy city centre districts, or the warehouse and weekly shopping on Tesco. com. Since Tesco changed its solely down-market image, Tesco has begun to better understand its customers and control its business. The retail transformation made Tesco put sharp focus on the quality and capability of the supply systems and the relationships with its suppliers. In the history of Tesco, there have been several phases in the transformation of the distribution strategy and operations (Fernie, J and Sparks, L, 2004). In the mid-1970s, Tesco operated a direct to store delivery operation. Suppliers and manufactures delivered directly to stores so the store managers could operate their relationships with the suppliers. This kind of distribution was unable to ensure the consistency between product volumes and quality. Then the organization gained the control of the organization. The change happened in 1980 and was implemented to move away direct delivery to stores for the realization of centralization. Tesco selected a centrally controlled and physically centralized distribution service delivering most of the goods to stores, within a lead time of a maximum of 48 hours (Sparks, 1986). That involved an extension of the distribution facilities and the building of new distribution centres, which was located more closely with the existent stores and even the future stores. This strategy produced a rationalized network of distribution centres, linked by computer from stores to head office, which reduced the individual operations. Once the basic network was settled, Tesco

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put attention to build vertical collaboration in the supply chain. Information sharing, electronic trading and collaborative improvements have become essential to Tesco and brought up the success of Tesco. The Logistics and supply chain reformation have received not only public consideration but also available academic analysis.

As a leading food and grocery retailer, Tesco is inevitable to face problems in the future. On the contrary, problems can also turn into opportunities as long as Tesco enforce suitable strategies to change problems into opportunities. Competition among the rivals and the co-operation with the suppliers are all the important issues to Tesco, much less the difficult economic times.

3. 0 Logistics Change in the next five years

It is crucial for leading retailers to play a vital role in the economic recession. Therefore, the retailers must make cost savings, in the meantime, continue to develop products and services which create real value for their customers. Those that do so can only come out of the downturn. Tesco needs to tackle the huge number of issues that it faces as one of the world's largest retailers. Tesco has developed a world-class logistics approach to expand its success. But to some extent, the success of Tesco is due to the particular circumstance in the UK. As Tesco has become a much more international retailer, Tesco needs to change logistics and supply chain to face the changing nature of the retail operations.

3. 1 Change of Strategy

Retailers now do not compete only on the basis of their activities alone, also on the basis of the effectiveness and efficiency of their supply chain. Massive

progress which made Tesco successful also made its retail and supply face increasing challenges. By 2009, Tesco had successfully established that retail presence in India, the United States, China, Turkey and Japan. Tesco has become the market leader in these international countries, not to mention the number one status in the British grocery retailer. From 2003, the overseas operation has accounted for almost half the Tesco Group retail space and nearly 20 percent of retail sales (Tesco plc Annual Report, 2003). Due to the economic downturn, Tesco should move its strategy from spreading the business widely to cost reduction. If there are issues in production and primary distribution, these will inevitably have a bad effect on the price, quality and service for the consumers. Once the cost of distribution has been reduced, there would be business motivation to apply logistics resource to determine opportunities to make improvements in the company.

3. 2 Task in the future

Tesco has suppliers on both a local and global scale. In the current economic climate, many customers want to buy products which can support their local business and economy. They are also concerned about food miles and the relative environment impact of the produce they chose (Christopher L. Weber and H. Scott Matthews, 2008). Therefore, it is necessary for Tesco to switch task on expanding local sourcing. This task can not only reduce the unit cost distribution year on year, but also lower the capital invested in vehicles. Besides, it can also produce positive effects on cutting down carbon footprint. On climate change, vehicles using for distribution to stores generate a major proportion of Tesco's indirect carbon footprint. It is a big

challenge for Tesco to address how it can respect on environmental limits. As Tesco continues to expand its business, it must reduce its environment impact at the same time. If the company is failing in controlling the emission of pollutants, the growth of brands will be destroyed.

Tesco started a home shopping pilot scheme in 1995. This pilot was extended to 10 stores after two years and the store-based picking operation was expanded over UK in 1999. Now, its internet subsidiary Tesco. com is the largest online retailer in the world. Tesco was the very first internet grocer to market in UK, and by adapting quickly to the fast-changing needs of its customers with careful service and inventive offerings, it has succeeded in being in the lead among its competitors. So, Tesco should enlarge its market share and coverage on the internet.

3. 3 People Involves in Change

Tesco promise its people the opportunity and makes people feel committed by investing in training and development. As changes are continual and inevitable, it is necessary for Tesco to develop the employee skills. More inevitable is that people involved in changes will give different attitudes to the management. But the no matter what attitudes people take, they all need to change with changing business environment from the directors to the deliverymen. The directors should be sensitive to the change issues and more staff will be hired for their professional skills on website establishment or delivery. The delivers are facing huge challenge for the fast development online shopping. That means the service to the customers should efficient and free from error.

4.0 Change Issues and recommendations

Changes are so unpredictable that it is unavoidable to face barriers to change. People naturally resist change because people prefer the know to the unknown. If a company wants people to be able to initiate and sustain change in the workplace, it must be aware of the barriers to change (Pike, B, 2004). Most people refuse to be uncomfortable in changes so that they may quit implementing the changes which the company has planned. So Tesco needs to monitor the training on helping people make a smooth transition and be ready for questions and advices from people. So as a director of Tesco, is it critical to give the top-notch people the professional train and coach and take in ideas from people no matter whether they are useful. Having more ideas generally leads to better ideas, so it is necessary for the directors to generate several alternatives when considering what to deal with changes. Another barrier to change is ambiguous to change. Change requires for clarity and attention. When the company faces too many changes at the same time it becomes difficult to pay attention to them all even though people want to make clear of all the changes. Maybe it is advisable to drop some changes and focus on the most unable to wait.

Resistance is as inevitable as change. It is a natural response to any major change. Folger and Skarlicki (1999) claim that “ organizational change can generate skepticism and resistance in employees, making it sometimes difficult or impossible to implement organizational improvements”. Most employees don’t like change because they don’t like being changed. Though the directors decide to move in the direction of unknown on the promise that something will be better for the company and the staff, but no one can proof.

No matter how well designed and planned the change program is, not every staff will be singing its praises. People can only take active steps toward the unknown if they believe the new direction will create benefits. If Tesco want to make the case of change, be sure to set out terms why the company believes the changes can produce benefits. Tesco should defuse political power plays amongst managers and other employees by convoking board-based meetings where tasks and strategies are openly discussed and introduce operations which leave little room for individual determination.

Managers, employees always have questioned the value of the role of change agent in their organization. It is because the label ‘ change agent’ is usually related with misunderstanding, cynicism and stereotyping. As organization of all kinds face inevitable changes in their environment, the need for change agents who are capable of turning strategy into reality has created an important role. Dave Ulrich (1996) suggests that founding a renewed organization is the deliverable expected from the ‘ change agent’ role in Human Resources. The change agents enable people to work effectively as they plot and increase people’s ability to manage future change. So Tesco is necessary to hire a change agent to deal with the change and suggest the steps necessary to implement changes, though there are suspicious voices. For a company facing changes, change agents are strategic thinkers with a vision which is shared across the organization (Kaufman, 2005). But the skills of change agents which can lead to success must be grounded in a passion for the final goal and the ability to sustain the pression through the challenges and setbacks inherent in bold visions. Tesco

does not need a change agent with high education but a change agent with efficiency and bold vision.

Tesco's core purpose and values define the way it does business, how it treats the consumers, the employees and the suppliers. Tesco's corporate social responsibility policy objective is to earn the trust of the customers by acting responsibly in the communities it serves. So the task of purchasing local products is wise for causing a favorable impression from the local customers and a commendable activity to the social communities. Tesco should plan a mature plan on integrating the network management in the next two years for the fast booming of online shopping. It is urgent for Tesco to occupy the online market over the world though someone will criticize this task of Tesco is invasive. Therefore, Tesco needs to guarantee the welfare and safety of the employees of the suppliers and deliveries for making them extend fair and honest to the customers. The envisaged schedule of cost reduction builds upon that the appropriate resources are assigned. Primary distribution should be kept on with cost reduction.

5.0 Conclusion

The change management carries with many challenges. Challenges involved with the amount of time required to develop, arrange and implement the plan as well as align people around its breakthrough strategies (Silverman, 2000). As the retailers have realized the importance of distribution is underestimated and the consumer needs are changeable, the need to improve the quality and accuracy of logistics is paramount. For a growth company like Tesco it is vital that the company meets the challenges produced by the economic downturn. By grasping the right opportunities,

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protecting itself from unpredictable capital markets and trading in a sustainable way Tesco should confront this recession as an even stronger company. It is impossible to predict the future and to state demonstrably what the Tesco logistics will appear in the following years of course. Certainly, procedures in the area of environment aspects of logistics will continue to place pressure on retailers and suppliers to reinforce their performance. The electronic grocery shopping with direct home delivery is gradually becoming an option for more consumers. All the changes require the active support of employees and involvement of senior management in order to be successful.