

# History of the tesco corporation



Tesco PLC (LSE: TSCO ) is a UK – based international supermarket chain. It is the largest British retailer by sales and the overall domestic market share.

Originally specializing in food, it came in sectors such as clothing, consumer electronics, financial services, consumer, service, and telecom consumers.

For the year ended 26 February 2005 Tesco made a pre-tax profit of £ 1, 962 billion on turnover of £ 33, 974 billion (the benefit of widely advertised as the “ surplus £ 2 billion” was “ basic benefit” before some accounting adjustments).

According to TNS superpanel Tesco’s market share of UK grocery 12 weeks to 4 December 2005 was 30. 6%. Across all categories, over £ 1 in every £ 8 of UK retail sales is spent at Tesco. Tesco also operates overseas, and non-UK sales during the year to February 26, 2005 were 20% of total sales.

## **History**

Tesco was founded by Jack Cohen, who sold groceries in the markets of the East End of London in 1919. The Tesco brand first appeared in 1924. After Jack Cohen bought a large shipment of tea from TE Stockwell , he made new labels by using the first three letters of the supplier and the first two letters of his surname forming the word “ TESCO”. This information has been verified by the pressure relationships TESCO on BBC radio in the south on December 10. In the 90 late, the typeface of the logo was changed to the current shown on the top of the page with stripe reflections under the typefaces as Tesco used them on their bags bearer.

The first Tesco store was opened in 1929 burnt oak, Edgware, London. The company was floated on the London Stock Exchange in 1947. The first Tesco

store service opened in 1948 in St. Albans in 2005 and still trade. The first Tesco supermarket was opened in 1956 converted cinema in Maldon, Essex.

He said he began own-label canning factory in the former fruit farm Goldhanger, located a few miles from Maldon in the village of Tolleshunt commander, despite being Goldhanger another nearby village . The plant has since been sold. It is now a transport depot, with several other business units on site.

The “ superstore” Tesco’s first was opened in 1968 in Crawley, West Sussex. He began to sell gasoline in 1974 and its annual turnover reached one billion pounds in 1979. In addition in 1975 Tesco opened one of its first hypermarket in Irlam. The first hypermarket under the name “ Extra” was opened in 1997. It introduced a loyalty card marked “ Clubcard” in 1995 and later an Internet shopping service. During the 90s it increased in Central Europe, Ireland and East Asia. In July 2001 he became involved in internet grocery retailing in the United States when he obtained a 35% stake in GroceryWorks. In October 2003 he launched a UK telecoms division, comprising mobile and home services, telephone business to complement its existing Internet Service Provider. In August 2004 he also launched a broadband service.

In addition to opening its own stores, Tesco has increased in succeeding other channels, including:

•€ Victor Value, England, 1968 (sold again in 1986)

•€ William Low, Scotland, 1994

- € Quinnsworth Stewarts shops and crazy prices, Republic of Ireland and Northern Ireland associated British Foods, 1997
- € HIT 13 hypermarkets in Poland, 2002
- € T and S Stores, owner of convenience store chains BRITISH stop and Nite and Day, 2002
- € C Two-Network in Japan, 2003
- € A majority stake in Turkish supermarket chain Kipa in 2003.
- € Lotus in Thailand
- € Hillard, northern England 1984
- € 21 stores remaining Safeway / BP in late 2005 when supermarket chain Morrisons has dissolved his association Safeway / BP (written in acquiring Safeway)

## **Corporate strategy**

Tesco's growth over the last two or three decades has involved a transformation of its strategy and image. His initial success was based on the "pile it high, sell it cheap" approach of the founder Jack Cohen. The downside of this was that the stores had a poor image with middle-class customers. By the late 70 the image of Tesco was so negative that consultants have advised the company to change the name of its stores. He did not accept this advice, yet by early 2005 was the largest retailer in the United Kingdom, with a 29. 0% share of the grocery market analysts TNS Retail Sales superpanel, compared with 16. 8% share of Wal-Mart-owned <https://assignbuster.com/history-of-the-tesco-corporation/>

ASDA and 15.6% share of third-placed Sainsbury, who had been market leader until he was overtaken by Tesco in 1995. The main reasons for this success include:

•€ “ An offer included. This term is used by Tesco to describe its aspiration to appeal to customers higher, middle and low income in the same stores.

Citigroup retail analyst According To David McCarthy, “ They’ve Pulled off a trick That I’m not aware of” any other retail Achieving. That Is To appeal to all segments of the Market ” [1] . By contrast ASDA’s marketing strategy IS Focused Heavily you value for money, Which Canon Undermine icts appeal to upmarket Customers Even though Actually it sells a wide-range of upmarket products. Düring icts long-term dominance of the supermarket Sector Sainsbury’s Retained year image as a high-priced middle class supermarket Which regarded Itself To Have Such A wide lead you quality That It Did Not Need to compete is price, and WAS indifferent to Attracting Lower-Income Customers Into icts blinds. This Strategy has been “ sincere adandoned Losing the no. 1 spot and particularly to Tesco Since The arrival of Justin King as CEO in 2004 ESTABLISHED Who has a new customer-Focused Strategy Closer to That of Tesco.

•€ One plank of this inclusivity has-been Tesco’s use of Its Own-Brand Products, Including The upmarket “ Finest” and low-price “ Value” ranges. The company has taken the Lead in Overcoming reluctance to customer own brands Purchasing, Which are Generally regarded to Be more profitable for a supermarket as it Retains a portion Of The Overall Higher Than it Does profit for branded products.

•€ Customer focus: Sir Terry Leahy, chief executive Since The mid 1990s, has taken the Bold Step of Trying not to Focus on the usual corporate mantra of “ Maximising shareholder value.” The company’s mission statement reads, “ Our core purpose IS, ‘ To create value for Customers to Earn Their lifetime loyalty’. We deliver this Through Our values, ‘ No-one tries harder for customers’, and’ Treat people how we like to Be Treated “. The Underlying Aim Is of course to make Higher Profit, Purpose There Is a clear focus on customer service at the top level of The Company. It Remains to Be Seen whether Tesco Will Be Able to Maintain Focus cette Now That It Is Widely Perceived as a great corporate success story & the dominant company in The United Kingdom retail market, gold if It Will succumb to corporate arrogance Sometimes Happens to have dominant companies.

•€ Diversification: The company has a four-pronged strategy:

- o “ Core UK business” – That Is, in grocery retailing icts home market. It has been “ innovative and energetic in Finding Ways to expand, Such as making a large-scale move Into the convenience-store Sector, Which Have The Major supermarket chains Traditionally shunned.

- o “ Non-food business” – Many supermarket chains United Kingdom Have Attempted to diversify Into Other Areas, has-been to Tesco Exceptionally successful. By late 2004 It Was Widely Regarded as a Major Competitive Threat to traditional high street chains in Many Sectors, from clothing to consumer electronics to health and beauty to media products. Tesco sells year Expanding range of own-brand non-food products, Including non-food Value and Finest ranges. It has done aussi Quite well in non-food sales in

Ireland. CDs are one of the Best examples, Tesco Ireland With Promising to sell all chart CDs (except compilations) for € 14. 95 Compared With HMV Ireland or Golden Discs selling for just over The Same gold Under € 20.

o “ Retailing services” – Tesco has taken the Lead in icts Sector in Expanding Into Areas like personal finance (see below), telecom (see below), and utilities. Usually it Enters Into Joint Ventures With Major players in contention Sectors, Contributing customer base icts and brand strength to The Partnership. Other Supermarkets In The United Kingdom Have Done Some Of The Same Thing, goal Tesco has more Generally Implemented Them Effectively, MOST and Malthus made a profit.

o “ International” – Tesco to expand Internationally Began in 1994, and in the Year ending February 2005 ITS International operations accounted for just over 20% of sales, or about £ 7 billion (Approximately \$ 13 billion). Focused Mainly it has one weak Developing Markets With Incumbent retailers in Central Europe & the Far East, Rather Than Mature Markets Such as one of Western Europe and the United States. The Medium Term Aim Is To Have half of group sales Outside the United Kingdom. Tesco rolls out UK Successful Initiatives in Other countries. For example Tesco Financial Services and Tesco Express convenience stores in SEVERAL Both operate- Markets.

Tesco’s success Overall IS Mainly based Probably one of retailing Getting the basics right Slightly more Often Than Most Of icts rivals.

## UK operations

### Formats

Tesco's UK stores are Divided Into Five formats Differentiated by size & the range of products sold.

•€ Tesco Extra are larger, out-of-town Hypermarkets That stock all of Tesco's product ranges. The first Extra Opened in 1997 & the 100th In The 2004/05 Financial Year. The number of contention Is Now Being Increased by about 20 a year, Mainly From The conversion by the second category. Typical size 66. 000 square feet (6. 100 m<sup>2</sup>). As of January 2006 UK's Largest Tesco store is in. Slough am and is 190. 000 square feet (18. 300 m<sup>2</sup>). This store IS unusual in being Raised on stilts to maximize space utilization. A standard Wal-Mart Supercenter in the U. S. is around 200. 000 square feet (20, 000 m<sup>2</sup>).

•€ Tesco Hypermarket are very rare now, They Came Before the extra name. Roughly These Are The Same size as Tesco Extra (if not bigger) and cam in 1970's. The flagship store in Irlam WAS (now extra year) and EACH store has Its Own personality.

•€ Tesco blinds are wide standard supermarkets, stocking groceries over at Much Smaller range of non-food goods Than Extra. They Are Referred to as “superstores” for convenience, this word order Does not appears on The Shop. It is the “ standard” Tesco format, accounting for the Majority of UK floorspace. Most are located in. suburbs of cities or on the edge of large and medium-sized towns. The typical size IS 31. 000 square feet (2. 900 m<sup>2</sup>).



•€ Tesco Metro stores are sized Between normal Tesco stores and Tesco Express stores. They Are Mostly Located in city centers and high On The Streets of small towns. Typical size IS 12. 000 square feet (1, 100 m<sup>2</sup>).

•€ Tesco Express stores are neighborhood convenience shops, stocking food Mainly With An emphasis is higher-margin products (due to economies of scale Lack of) ALONGSIDE everyday essentials. THEY are found in busy city center districts and small shopping precincts in residential areas “, and one petrol station forecourt. There are 546 stores at February 26, 2005 year end, With A typical size of 2. 000 square feet (190 m).

•€ One Stop The only category Which Does not include The Word in Tesco icts name. These Are The Very Smallest blinds. They Were part of the T & S Stores business purpose, Which Have Been Many Unlike was-converted to Tesco Express, thesis Will Keep Their old name. There Are More Than 500 of Them. Typical size 1. 300 square feet (120 m).

In May 2005 Tesco Confirmed That It Will Be trialing a non-food only format [2] :

•€ Tesco Homeplus : These blinds offer all of Tesco’s ranges EXCEPT food in warehouse-style units in retail parks. The first one in Manchester Opened in September 2005. Tesco IS Trying this format Because only 20% of STI Customers Have Access to a Tesco Extra, & the company IS restricted in How Many of superstores icts ADC converts it Into Extras and How It Can Quickly do so. Large units for non-food retailing are readily available Much More.

## **Security Guards**

An incident WAS Recently Reported to us, where, Two Pensioners (a couple) Were accosted by a security guard at a Tesco store in Eastbourne, East Sussex.

Apparently, The Couple Were Concerned regular shopper at The Store in Lottbridge Drove, Eastbourne. Having Completed Their usual shop Monday, They Were busy checking the Goods Against the till receipt When ..... Read more on this story using The Links below.

Sir Terry WAS reluctant to Respond to finally Replied ..... Read more on this story and Sir Terry, Using The links below.

Tesco Security | Tesco Petrol | Tesco CEO

## **Store summary at 26 February 2005**

At the End of Financial Year 2004/05 icts Tesco's UK store portfolio WAS AS FOLLOWS. [3]

### **Format**

### **Number**

### **Area ( ft <sup>2</sup> )**

### **Area (sqm)**

### **Percentage of space**

Tesco Extra

100

6. 6 million

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613, 000

27. 2%

Tesco

446

13. 9 million

1, 290, 000

57. 4%

Tesco Metro

160

1. 9 million

180, 000

7. 8%

Tesco Express

546

1. 1 million

102, 000

4. 5%

One Stop

527

0.7 million

65,000

3.1%

Total

1,779

24.2 million

2,250,000

100%

## **Tesco Personal Finance**

Tesco has a banking arm called Tesco Personal Finance, which is a 50:50 joint venture with The Royal Bank of Scotland. The products we offer include credit cards, loans, mortgages, savings accounts and several types of insurance, including home, life and travel. They are promoted by leaflets in Tesco's stores and website icts-through. The business made a profit of £202 million for the 52 weeks to 26 February 2005, Tesco's share of which was £101 million.

## **Telecoms**

Tesco ISP operations manual, mobile phone and home phone Businesses.

These Are available to UK residential and Marketed Consumers via The Tesco website and-through Tesco stores.

Though it icts ISP Service Launched in 1998, The Firm Did Not get serious about telecoms Until 2003. It has not built a golden Purchased telecoms network, has purpose INSTEAD Pursued a Strategy of pairing strength icts With The marketing expertise of Existing telcos. In autumn 2003 Tesco Mobile WAS Launched as a joint venture With O2, and Tesco Home Phone Created In partnership with Cable & Wireless . Tesco Mobile Offers Currently only prepaid accounts. In August 2004 Tesco broadband, ADSL-based service Year Delivered via BT phone lines, WAS Launched In partnership with NTL.

Tesco Announced in December 2004 That It has Signed up to 500. 000 Customers icts Mobile Service in the 12 months sincere launch. In December 2005, it Announced It Had One Million Customers using mobile STI service. In April 2005 it Announced That It Had one over one million telecom accounts in total, Including Mobile, fixed line and broadband accounts. [4]

## **Internet Operations**

In Tesco VAST Majority of business documents are Created, Acquired, and Stored Electronically.

Tesco has Operated On The Internet in the UK Since 1994 and Was The first retailer in the World to offer a robust home shopping service in 1996. Tesco has aussi Internet Opera in the Republic of Ireland and South Korea. Grocery sales are available Within delivery range of selected stores, goods Being

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hand-picked Within EACH store. This model, in contrast to The Warehouse model INITIALLY Followed by UK competitor Sainsbury, And Still Followed by UK internet only supermarket Ocado, rapid expansion Allowed With limited investment, the goal has been “ criticised by Some Customers for a high level of substitutions Arising from variable stock Levels in blinds.

Nevertheless, it has been “ Is The Largest and popular online grocery service in the World.

In 2001 Tesco Invested in GroceryWorks, a Joint Venture With Safeway In The United States, Operating In The United States and Canada. GroceryWorks has stepped Into the void left by The Collapse of Webvan, goal has not expanded as fast as INITIALLY expected.

Concerned With poor web response times (at the time of icts launch in 1996, broadband WAS Virtually unknown in the UK), Tesco Offered a CDROM-based offline ordering program Which Would connect only to download stock lists and send orders. This Was in addition to, Rather Than INSTEAD of, ordering via web forms, goal WAS Withdrawn in 2000.

Tesco claims (icts in 2005 annual report) to Be Able to serve 98% of the UK population from 300 participante icts blinds. Tesco Delivers to over 1 Million Households, With More Than 120. 000 orders per week, by 1. 000 local delivery vans. In the Financial year ending 26 February 2005 Recorded it online sales up 24. 1% to £ 719 million and profit up 51. 8% to £ 36 million.

The Tesco. com site est aussi Used as a general portal to MOST of Tesco’s products, Including Various non-food ranges (under the “ Extra” banner), Tesco Personal Finance & the Telecom Business, “ as well as extra services

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Offers in Which it Partnership with specialist companies, Such as flights and holidays, music downloads (as of June 2005 claims Tesco has 10% UK market share), Gas, Electricity and DVD rentals. It Does not Currently sell clothing online. Introduced in May 2005 it was clothing website [5] , at least this goal INITIALLY reservations Solely as a showcase for Tesco’s clothing brands, and Customers Still Have to visit a store to buy.

## **Operations Outside the UK**

Many British retailers That Have Attempted To Build An International Business Have failed. Tesco has Responded to The Need to Be sensitive to local expectations in Foreign Countries by Entering Into Joint Ventures With local partners, Such as Samsung Group in South Korea, and appointing a very high proportion of local staff to management positions.

In late 2004 The Amount of floorspace Tesco Operated Outside the United Kingdom surpassed The Amount It Had icts in home market For the first time, although The United Kingdom accounted for Still More Than 75% of group revenue due to lower sales per unit area semblables UK.

In September 2005 Tesco Announced That It Was icts selling operations in Taiwan to Carrefour and Carrefour’s stores Purchasing In The Czech Republic and Slovakia. Both Companies Stated That They Were Concentrating Their Efforts in Countries Where They HAD strong market positions [6] . Tesco Is The grocery market leader in The Republic of Ireland With A Reported November 2005 share of 26. 3%. [7]

The followings table Show the number of stores, total store size in square feet and sales for Tesco’s international operations. All the figures are for 31

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December 2004 or the Year to 31 December 2004 except for The Republic of Ireland data, Which Is at February 26, 2005, like the UK figures.

**Country**

**Entered**

**Stores**

**Area (ft <sup>2</sup>)**

**Turnover (£ million)**

China

2004

31

2, 637, 000

Note 1

Czech Republic

1996

25

2, 145, 000

386

France

1992



1

16, 000

Note 2

Hungary

1994

69

3, 515, 000

933

Japan

2003

104

385, 000

266

Malaysia

2002

6

584, 000

83

Poland

1995

78

4, 212, 000

691

Republic of Ireland

1997

87

2, 046, 000

1, 336

Slovakia

1996

30

2, 053, 000

326

South Korea

1999

38

3, 211, 000

1, 585

Thailand

1998

107

5, 920, 000

969

Turkey

2003

5

406, 000

146

Note 1: The business in China Is A Joint Venture and Its Turnover Is Not Reported in Tesco's 2005 brokers' pack.

Note 2: Tesco owned a French chain Catteau Called Between 1992 and 1997. Its Existing single store in France Is A wine warehouse in Calais, Which

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Opened in 1995 and IS at British day trippers Targeted. Much Wine is cheaper in France Than in the UK Because The duty IS far lower. Turnover IS not reported separately.

## **Financial performance**

Tesco IS listed it the London Stock Exchange “ under the symbol TSCO . It has a secondary listing aussi On The Irish Stock Exchange With The name TESCO PLC .

All figures below are for Tesco’s The Financial Years, Which run for 52 or 53 week period To late February.

### **52 / 3 weeks ended**

#### **Turnover (£ m)**

#### **Profit Before tax (£ m)**

#### **Net profit (£ m)**

#### **Earnings per share (p)**

26 Feb 2005

33, 974

1, 962

1, 366

17. 72

28 Feb 2004

30, 814

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1, 600

1, 100

15. 05

22 Feb 2003

26, 337

1, 361

946

13. 54

23 Feb 2002

23, 653

1, 201

830

12. 05

24 Feb 2001

20, 988

1, 054

767

11. 29

26 Feb 2000

18, 796

933

674

10. 07

27 Feb 1999

17, 158

842

606

9. 14

28 Feb 1998

16, 452

760

532

8. 12

Tesco IS Between the fourth-and sixth-largest retailer The In The World, DEPENDING ON how This Is Calculated. The Three Largest are Wal-Mart, <https://assignbuster.com/history-of-the-tesco-corporation/>

Carrefour and Home Depot. METRO and Ahold are Larger Than aussi total turnover is based Tesco, METRO's sales include purpose Many wholesale turnover of trillions and trillions of Ahold's Many turnover foodservice, retail and Their turnovers are Less than Tesco's. On Its website claims Tesco To Be The Third-largest retailer in the World. Presumably It Is Ignoring Home Depot, Which have a home improvement company is Not The Same in business, But Is Certainly a retailer.

At 26 February 2005 Tesco Operated 1. 779 blinds in the UK (24. 2 million square feet, 2. 23 million m<sup>2</sup>) and 586 Outside the UK (27. 6 million square feet, 2. 54 million square meters). Tesco plans to expand UK floorspace by 8% and non-UK floorspace by 20% in 2005/06.

Tesco's market capitalization is 31 August 2005 WAS £ 3. 25 billion (\$ 45. 2 billion), Which Was The Largest of Any retailer based Outside the United States. For the 24 weeks to 13 August 2005 WAS 13. 8% Revenue Growth and Profits Increased by 18. 7% and 18. 0% after tax after tax

## **Controversy**

Like a number of Leading Companies, Tesco Attracts Criticism from Those Who are suspicious of big business. Tesco Is A target in the UK for People Who disapprove of large retailers and THEY Can Have The Effects on Farmers, Suppliers and Small Competitors.

The group has beens aussi icts criticised for tactics, Including Allegedly Misleading Consumers With A “ phoney” price war [8] (this claim Was Made by a rival retailer, Which Wished to assert Its Own That Were Better price cuts; All the major UK supermarkets are experiencing price deflation).

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Tesco's 2004 acquisition Adminstore led to local and national protests. Tesco's Other Store Opening and expansions are sometimes translated Contested by campaign groups. Campaigns have-nots thesis Hindered Tesco's expansion program very much.

Another point of Controversy Is The recent expansion of Tesco Into the convenience store market. When a company controls more Than 25% Of A Business Sector in the UK, It Is Usually blocked from buying in Other Companies That sector (but not from Increasing market share icts-through organic growth). The Office of Fair Trading Currently treats supermarkets and convenience stores have Two separate sectors – although this definition has been “ Challenged by Smaller Retailers, Including The Association of Convenience Stores [9] .

Tesco est aussi criticised by Those Who Think That It Infringement upon The Interest of Farmers and Small suppliers. The Company Responds by Claiming That IT follows industry-best practice and sources available locally WHERE CAN IT to Meet customer demand. In March 2005 The Office of Fair Trading published annually audit of the Working icts of code of practice are supermarkets and Their Relationships between suppliers. Reported That It No Official Complaints Received HAD Been Against Tesco gold “ any of the Other Major supermarkets, to the supermarket ‘ Critics, Including Friends of the Earth, Contested Suppliers That Were Complaining prevented from by fear of Losing business, and Called for More Rigorous Supervision of the supermarket. A Further Report by the Office of Fair Trading in August 2005 AIMS Concluded thats the Code of Practice Of The Were Being met.



In May 2004, It Was Announced Tesco Reducing sick pay year in Attempt to Reduce Levels of unplanned absence, however Which Implies that Work's May Be Forced to work whilst setting to Their Personal Health risk for fear of a Decrease in Their Income.

In December 2005, a committee of UK MPs have postponed Produced accusing Tesco of " riding Roughshod over planning rules" [10] . The charge stemmed from The Company's building of a store in Stockport That Was 20% Larger Than The Company Actually HAD permission to build.