

Tesco

[Business](#), [Company](#)



Value Chain Analysis According to Lynch (2003), value chain is defined as the links between key value adding activities and their interface with the support activities.

Value chain has been implied as a strategic evaluation tool used for distinguishing the strengths and weaknesses in value adding processes (Audrestsch, 1995). The value chain of Tesco has been demonstrated in the following diagram: Fig 6: Value Addition in Value Chain of Tesco Inbound Logistics

The overall cost leadership strategic management of Tesco is exhibited in its lean and agile inbound logistics function. Drawing upon Abeyasinghe (2010), the company uses its leading market position and economies of scope as key bargaining powers to achieve low costs from its suppliers. The analysts have also highlighted the constant upgrading of their ordering system, approved vendor lists, and in-store processes to induce effectiveness and efficiency into the company's inbound logistics operations.

Operations Management Tesco has been praised by a number of supply chain management critics for its effective use of IT systems that facilitate the company's low cost leadership strategy. According to Tesco (2010), the company has invested over ? 76 million in streamlining its operations through their Tesco Digital program, which is a third generation ERP solution for the company. The company has achieved ? 550 million in increased profitability during 2009 alone due to the introduction of this system.

This company -wide ERP system has also facilitated the minimisation of stock holdings within the company. Outbound Logistics Tesco holds leadership position in online and offline food retail segments, which is due to its efficient and effective outbound logistics. Drawing upon Mintel (2010), the company

has developed a range of store formats and types, which are strategically placed to achieve maximum customer exposure. These formats include Express, Metro, Superstores, Extra and Homeplus, which are segmented according to the target population. Marketing and Sales Loyalty programs like Tesco Clubcard are being introduced through information technology advances which dissuade the customers from switching over to their competitors. Tesco has introduced its Greener Living Scheme to give consumers advice on environmental issues, including how to reduce food waste and their carbon footprint when preparing meals .

Services Tesco has been pursuing a dual strategy of cost leadership and differentiation, which has led to an increased importance placed on customer service.

Drawing upon Keynote (2010), this dual strategy is exhibited through the development of self-service kiosks, financial services, focused direct marketing and promotions. In order to put Tesco's value chain analysis into perspective, it should be noted that despite cost leadership strategy the company has been able to create a high degree of value in comparison with its key competitors. The relative analysis of the value created by the big four supermarket chains, i. e. , Tesco, Asda, Sainsbury's and Morrisons has been provided as follows: Fig 7: Benchmarking Analysis: Cost as a Percentage of Sales