

Approach to quality management at tesco



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This report compares the operational activities of TESCO super market and H & M (Hennes and Mauritz) clothing organisation

In first part of this report identification of each organisation's current and prospective customers is given and stated that whether the organisation operations are designed in a way that fulfil the needs of customers by analysing the competitive priorities such as cost, speed, flexibility etc and quality management at both organisations.

In second part of report two concepts have been discussed. TQM (Total Quality Management) for Tesco and Supply chain management for H & M. And up to which extent and how these are practised in the companies.

In third part of report, mixture of whole operation management concepts is discussed for both organisations. The concepts are similar in both organisations.

INTRODUCTION

Customers are the core of any business. Whatever the business could be, but it can survive only when it will fulfil the needs and requirements of its customer. Brands have become brands, because they take care of their customers.

Brands like Tesco and H & M are having the same reason for success that they do care for their customers and in return of it customers are committed and loyal to them.

Tesco is known as one of the largest in world and UK's leading food retailer. It is operating around 2318 stores and more than 326000 people are working

in Tesco (www. Tesco plc. com). It provides services under four banners known as Extra, Superstore, Metro and Express. We can find any of these in every corner of city. This easy access and huge variety of food make it the first choice of customers. It fulfils the need of every kind of customer. Whether it is a school going child or it is a senior citizen. It is the first food retailer that provides the online shopping for food. So it is not leaving even a small hole behind. It is attracting more and more people beyond the geographical barriers. It is providing the facility of club card on point based system for its loyal customers and give them a small rebate on purchases.

H and M is the third largest company in fashion clothes. It is old more than 60 years (www. hm. com). It has around 2000 shopping centres in 35 countries. It serves the need for every age group like women, men, teens and children. H and M's clothes are popular among fashion oriented people because of their leadership in ' fast fashion'. It is now deciding to expand the business in special collections such as '&Denim' and cosmetics. So in future it will attract the more customers especially girls and women.

Competitive priorities

Competitive priorities have got six components named as low cost, quality, delivery time, flexibility, speed and dependability (Slack N, Chambers S). By having these components Tesco has got the competitive advantage and fulfil the needs of customers in following ways:-

Flexibility

UK grocery market has got very few dominated competitors, in which Tesco, Asda and Sainsbury are the brand and have acquired the 70% of market

shares. Brands like Tesco have built their image due to their operating efficiency and one stop shopping. Tesco has invested in advanced technology such as self check outs and stock control system. It provides the wide range of stock, better customer handling, introduction of new lines and ability to get out of stock provides the flexibility to it.

Low Cost

Here the suppliers have fear of losing their business to the large supermarkets such as Tesco. So they negotiate with supermarkets with better promotional prices of products. Thus customers get products at lower prices but with the same quality.

Quality

Tesco know known as a brand. Being a brand it is a measure of quality. So it provides food with better quality.

Dependability

Tesco uses the economies of scale and differentiation policy in their product development, promotional activities and distribution. By which it gets dependability of customers. They make their products different from their competitors and get advantage of that. Undifferentiated products and services may cause the easy switching of customer. Services like club card, online food shopping and refrigerated delivery, and flow of in store promotions make the Tesco to fulfil the needs of customer and retain them. With the help of club card Tesco is gathering the useful information about their customer such as where they are spending their money? What things do they prefer? So with this kind of information they can understand what

people need? What they prefer? So it helps Tesco to improve their products and get advantage over competitors.

Speed and Delivery Time

Tesco is efficient in speed and delivery time. As small scale operations of Tesco are available at every corner of cities and towns under the brand name Metro and Express. So getting to the store, making purchases and returning takes very much less time.

H & M has got these competitive priorities and fulfils the need of customers in following ways:-

H and M has many showrooms in cities and towns rather than just a single one. And every showroom is full of latest fashion clothes. A person can get easy access to it.

Low cost

Main concept of H & M is to provide fashionable clothes at best prices. In its earlier years, it started the selling of women fashion garments but at lower rates than market. Since then it is practising the same concept of low cost but with a wide variety of clothes for all age groups.

Quality

H & M is also a Brand name. So maintaining its image and reputation it has to manage its quality among all other competitors like GAP. It provides quality of product as the clothes undergo different quality checks such as washing to check the shrinkage and colourfastness, flammability. Only after these checks clothes are brought to the showrooms.

Dependability

As H & M serves the fashion oriented people of every age group and every day clothes of latest fashion brought to the showrooms. So it increases the dependability of customers on it.

Flexibility

It does not provide only clothes but also matching accessories and shoes to complement the dress so it increases the flexibility as well.

Speed and delivery Time

The time of getting to showroom, making purchases and returning is now very much less.

Approach to quality management at Tesco

‘ 100% customer satisfaction and without any defect’ is a concept of Tesco.

Every product goes under quality checks to provide the qualified product and value for the money of customer. Quality is checked throughout the supply chain. From growers to until the product is placed in store.

Approach to quality management at H & M

‘ Fashion and Quality at best price’ is the concept of H & M. Fashion and quality are the keywords for company. By keeping in mind this they want to provide services to customers with best quality. To do that they have different checks for quality assurance such as washing, piling, flammability, durability of buttons and zips, absorption, chemical checks. Clothes are checked not only H & M’s own laboratories but also sent to external laboratories.

Operations management does not deal with the whole organisation. Its main concern is production business unit of organisation rather than Finance, HR or IT. It involves the activities to produce and distribute the products and services. Following is one of the key concept of managing operations at Tesco.

Total quality management is the key concept to be managed in Tesco. It does not only deal with assuring the product and service quality but it tells about the way of doing business. It deals with managing people and processes of business so that the customer satisfaction can be achieved. Customer satisfaction is of foremost importance in Tesco business. Here, TQM is related to the 'doing the right things right, first time'. Customer can be internal as well as external. When Tesco buys food products from their suppliers then it is a customer and when it sells products then it is serving its customers. Tesco manages its total quality concept in following ways:-

Prevention:- it is good to avoid the manufacturing of defected products rather than finding of defects in them.

Zero defects:-Tesco's main aim is to produce the defect free products and minimise the defect level if product is complicated.

Getting things right at first:- it is better not to produce the products rather than producing defective one.

Quality involves everyone :- Tesco applies this concept not only to the production and operation department but it involves other business units of organisation such as marketing, human resource and finance as well.

Continuous improvement:- it always looks for the improvement in the products and processes. To do that it applies the Lean management concept.

Employee involvement:- it involves the employees that are involved in the production and operation processes to take the feedback from them. So that it can do the required improvements.

Introducing TQM in a business like Tesco, where customer satisfaction is most important, is not an easy task. Tesco gives the chance to employees to be involved in the production process as they are actually involved in manufacturing products. But it is difficult for it as the middle managers may feel like unimportant.

Here, the following is one of the key Concepts of managing operations in H & M

Supply chain management of H & M ([www. icmrindia. org](http://www.icmrindia.org))

Hennes & Mauritz(H& M) is one of the successful clothing retailer in the world. It designs the garments in Sweden. After that these are sent to production offices and then finally to the manufacturers. As the H & M does not own the manufacturing department so all the production process is carried out by the suppliers which are located in Asia and Europe. Then these ready garments are sent to the warehouse located in Hamburg, Germany. From Germany these are sent to different distribution centres that are located in different countries where they are sent to local showrooms.

Garments are replenished everyday thus maintains the freshness and uniqueness of garments. Because of this reason customer visit the stores

frequently and no any item remains at the shelves of store more than one month.

Well integrated supply chain is the secret of success of H & M. H & M has its own staff of designers. the whole concept is IT based right from the designing of clothes to the management of stores everything is based on IT. After preparing the design at Sweden these are sent to manufacturers through internet.

Differences between the organisations

Tesco and H & M both are world's leading retailers but in different sectors. They have their own way of performing operations.

H & M experiences the media more than Tesco as it is fast fashion changing company. with the blink of eyes, where trends are changing. It needs more market research than Tesco. These fast moving changes are implemented by the IT based communication system of organisation.

Tesco is a local company. It brings its raw material to their own manufacturers at cheaper rates then distributes it whereas H & M is a Sweden based company. All the designing process is carried out in Sweden and then sent to manufacturers through internet where manufacturers are third party.

By being a leader of changing fashion, it is very much popular in fashion oriented women, Whereas Tesco does not serve just one group of society. It provides food for every age group.

H & M is more media oriented. It uses celebrity endorsement. It spends the 4% of revenue only in marketing which is a huge amount as compared to Tesco advertisement.

Tesco uses the differentiation marketing strategy whereas H & M uses the diversification.

There are very few middlemen in the process of designing clothes to bring those clothes to showrooms as compared to the Tesco's middlemen.

Tesco provide the temporary employment to needy people such as students, aged people. But H & M is not having this kind of strategy.

H & M does not provide the self-checkouts like Tesco.

H & M provides the benefits to its staff in form of discounts, holidays, retirement plans, medical coverage, life insurance. Whereas Tesco provide the benefits but in the form of share save plan, all-employee share scheme, employee partnership scheme where employees can buy the shares which are free from tax.

Mix of managing operational concepts used by each of organisation is as follows:-

Operation management handles the resources that are used by production and delivery of product and services (Ashwathappa k, Shridhara K). it includes the major activities as product manufacturing, development, production and distribution. Whatever is happening around us is an operation. Following are the activities that are used by each of the organisation:-

Purchase practices

It is a concept of supply chain management. It broadly deals in procurement of raw material, transforming it into finished goods and then distributing it to customer. Tesco and H&m both have their proper supply chains.

Supply chain management is network that includes the activities to bring the raw material to manufacturing places and then finally to the stores where they are ready to be consumed by customers.

Supply chain management includes the following decisions that have impact on the cost and revenues on both of the organisations:-

Location decision:-Best possible locations are chosen for the manufacturing points, stocking points and sourcing points because it represent the basic strategy for accessing the target market of customers and have a impact on the costs and revenues. Both organisations have chosen best suitable locations for their plants.

Production decision:-Here management of each organisation takes the decision of what products to produce and which manufacturing factory will produce which product, allocation of plants to distribution channels and then finally to the customer market. This decision tells about the exact path of the product.

Inventory decision:-Inventory is another activity in chain management where inventory is to be managed at every stage of supply chain as raw material or finished goods. Inventory level is managed to cope with the uncertainties at any stage of supply chain such as shortage of raw material at very first

stage. Both companies have managed their own levels of inventories according to the customer service level.

Transportation Decisions:-This decision is also very crucial from strategic point of view for both companies. These are closely linked to inventory decision, as it adds an indirect cost to inventory. For example, air shipment is fast, reliable as there are less chances for the jerks. But these are expensive. On the other hand, shipping via trains is cheaper but it takes long time and less reliable. So, what to use as a transportation system is crucial for both managements.

Management control and coordinating functions

It includes the activities that ensure the whole organisational activities are carried out according to the defined measures and goals in an effective and efficient way. Both parties perform the following control and coordinating functions to get their companies to survive:-

Control and coordinating

Now the companies are moving towards flat forms where employees or group of employees are supposed to be self-managed. Nobody wants now the bureaucratic approach. Both companies are following this modern concept and using the 'empowerment' concept.

Delegation:- jobs are assigned to each of the employee according to their skills and talents.

It includes provide the authority to employee to use resources and letting him/her to do tasks according to their own wish.

Performance evaluation:- performance evaluation is another duty of both organisation. Both companies uses reward system but in different ways. This performance evaluation method acts as a motivator for employees.

Risk Management:-it involves the safety of material as well as of employees.

Policies and Procedures:-both organisations are having their code of conduct document. In which the acceptable behaviour of employees is mentioned.

Product and service management

Managing products and services is a key operational concept in any organisation. It includes the following activities and both organisations use these activities:-

Product evaluation:- it means whether the new idea of product is feasible one or not?

Product development:- designing of new product after the evaluation.

Product production:- actual start of manufacturing process of product by bringing the raw material to the company's plant.

Product distribution:- it is done through the advertisings, promotions, sales and services. Both companies uses these methods but at different scales.

Quality management

It is a concept which has become a very important operational activity in any organisation especially for Tesco and H & M like brands which are known for their quality products. It is accomplished through the techniques like benchmarking, total quality management, continuous improvement.

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Benchmarking techniques uses the pre-defined standards of quality and check the performance of operations against these standards.

In continuous improvement, small incremental steps are used to improve the quality by eliminating non-value adding activities.

Total quality management ensures that company is meeting or exceeding the customer needs. It mainly deals in process management.

Inventory management

To maintain the inventory in the form of storing the material and moving it from one place to another causes a cost for the organisation. So, decision to keep optimum inventory level is more crucial for both organisations. Both organisations use computerised inventory control system where track of product is kept.

Any inventory control system involves in minimizing the cost of inventory. Cost of storing the material, cost of placing an order and cost of shortage i. e. what will happen if stock will not be enough to meet the requirements? These questions help in inventory control decision system. Both companies are using the lean management approach to minimise the waste so that inventory level can be maintained at optimum level.

Logistics and transportation system

Logistics describes the flow of material from starting to the end point i. e. from suppliers to organisation and then finally to customers but in a efficient and cost effective way. Transportation system is very much related to inventory management as it adds the indirect cost to it. As the both

companies business is expanded over the whole world so deciding upon transportation system, is very crucial task for both companies. Both companies are using the better way or in other term the lean management. So that finished product can be reached at destination in a efficient and cost effective way.

Configuration management

It is necessary to keep the different versions of products and services for future references so both companies are keeping the records of different products.

Facilities management

Management of facilities like building, computer systems, lighting etc are one of the concepts in operation management of an organisation. It is managed in Tesco and H & M by keeping the stores and showrooms respectively clean and tidy. Proper checking's of self-check out machines in Tesco. Well managed Music systems in H & M showrooms.

Distribution channel

After the product is ready to come into the market, what method to choose for its distribution is very much depends upon the product and service itself. There are two types of distributions are available. One is direct and another is indirect. Direct mail, retail and shopping over internet are example of direct distribution whereas when there is a middleman such as wholesalers, distributors and retailers are examples of indirect distribution.

H & M and Tesco uses the direct way of distribution as it provides its own branded products in their own showrooms and stores resp.

Enterprise resource planning

One of the major activities of operation management is to manage the resources of enterprise. So that different business units such as Human resource, finance marketing and production can interact with each other. It is done through software applications. Businesses like Tesco and H & M are having their brand in almost all over the world. So it is not possible to collect the information by going physically at different places. So both organisations use utility software to manage the enterprise resources.

Conclusion

Both organisations are world's leading retailers. Both are serving the customers but in different sectors. Tesco is serving mainly in food. H & M is serving mainly in clothes. Both are having their own concepts and strategies but ultimate goal is to fulfil the needs of their customers. The operational activities and concepts are same. But the way to perform those activities is different.