

The use of balanced scorecard for tesco



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Tesco is a prime example of the power of a multi-channel strategy. It was founded in the aftermath of the First World War and created the concept of discount supermarket or superstore in Britain in 1967. The company is now the largest retailer in the UK with group sales of £72 billion. The leading retailer have over 3, 700 stores operating globally in 14 countries, employing almost 520, 000 people (Tesco, 2012). Tesco was initially specializing in food products but recent years it has expanded its services such as clothing, financial services and telecoms. They offers a comprehensive in terms of sizes: Extra, which follows the format of hypermarket offering of food and non-food, on the outskirts Superstores, Compact immediate periphery, Metro downtown. Express service station with long opening hours. Since 1995, Tesco is first English string with a 16% market share in 2001 and 22. 7 billion pounds of revenue. After conducting various experiments since the mid-90s, Tesco has adopted original online sales. This model is characterized by caution and pragmatism. The principle of this system is that all deliveries are made from Tesco 250 stores on the 690 that make up the chain in Britain are delivery points which cover 91% of the population.

Business strategy

From Teco's Annual Report 2012, the Chief Executive set out seven distictive strategy. This srategy counterparts their vision which is to be highly valued by customers, communities, staff and shareholders in being a modern, growth and innovative global company. This new strategy definitely have strengthen their previous strategy and will eventually be the key to success. The strategy includes:

To keep growth of the business in UK core;

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To be an outstanding and successful international retailer in stores and online;

To be as strong in everything we sell as we are in food;

To grow in multi-channel retail services in all our markets;

To put our responsibilities to the communities we serve at the heart of what we do;

To be a creator of highly valued brands; and

To build our team so that we create more value.

As a global retailer, Tesco serve millions of customers every week. One of Tesco's value is "No one tries harder for customers", this shows how they are committed to improve customers shopping experience from price, quality to the services. They are constantly innovating offer in a variety of ways such as different way of shopping, as with self-service checkouts or Click & Collect grocery shopping. Tesco continue to serve customers like how they would want to be served.

Balanced scorecard

Tesco manage business using a balanced scorecard. The balanced scorecard is a strategic performance management tool designed to help an organisation to track performance over time to assess if goals are met. It was developed in 1992 by Kaplan and Norton, with four perspectives: Financial, Customer, Internal Process and Learning & Growth (Marr, 2012). Tesco decided in order to deliver its strategy, they need to create a performance management

framework that would outline the objectives of the company. Unlike the original balanced scorecard, Tesco came up with its own balanced scorecard called the steering wheel. The wheel has the four Kaplan and Norton perspectives with an additional perspectives, added in 2006 as a 'community perspectives' (Tesco, 2008). Each perspective of the wheel has its own objectives, as can be seen in Figure 1.

Source: Tesco (2012).

Figure 1. Balanced scorecard- the 'steering wheel'.

The financial perspective covers the financial objectives of an organisations and allows manager to track financial success and shareholder value.

Customer perspectives refers to customer objectives as customer satisfaction, market share goals as well as product and service attributes. The internal process perspective is related to internal operational goals and the key process needed to fulfill customer objectives. Learning and growth perspective involve employee training and corporate cultural attitudes. It is essential basic for success for any knowledge-worker organizations.

These five segments of Tesco's steering wheel balance out the effort and resources making sure that they operate to the needs of all their stakeholders. The steering wheel includes 20 objectives across 5 perspectives. Performance throughout the business is measured against this Steering Wheel. A number of Key Performance Indicators are used for each segment of the Steering Wheel to track and monitor our performance (Tesco, 2012).

Balanced score card for Financial Performance of Tesco

Non-financial performance measures give a more balanced view of Tesco's performance than using financial data alone.

In late November, Tesco shares rose in price to a record high due to the fact that in the 3rd quarter sales of the UK's largest supermarket chains have increased significantly, shattering was common earlier concerns about a possible slowdown (Kaplan, & Norton, 1993, pp. 134-472).

British supermarket chain reported an increase in sales for the 14 weeks to 20 November at 12. 2%. This is the most significant quarterly increase in the last 5 years. It is achieved by the fact that Tesco has managed to increase its share in the highly competitive UK market, and to expand its presence in Eastern Europe and Asia (Kaplan, 1992, pp. 71-95). General Director of Tesco Sir Terry Leahy (Terry Leahy) in September warned that the second half of the growth rate will slow down. Nevertheless, the volume of sales in the British chain stores Tesco, open more than a year ago, in the 3rd quarter increased by 9. 8%. For comparison, in the 1st quarter growth was 7. 8% in the 2nd – 8. 8% (Kim, 2009, p78-85).

Tesco overall sales in the UK rose by 12. 3%, and now accounts for a share Tesco £1 in every £8 that customers spend in supermarkets across the country. According to consulting group TNS, growth rate to the industry average for the 12 weeks to November 7 reached only 3%. This is a remarkable result, – said Richard Ratner (Richard Ratner), an expert from Seymour Pierce, and raised its forecast pretax profit Tesco for the year from

2. 01 billion to 2. 02 billion pounds. Such a strong financial performance Tesco cause an increased interest in other supermarket chains.

Discussion

These clients potential live all within half an hour drive from a Tesco store. Delivery from outlets raises formidable difficulties. All stores do not have the same range and do not practice all the same pricing policy. Indeed, supermarkets or specialized distribution adapt their pricing policy based on local competitive environment (Tesco, 2006). Thus, it may seem very difficult to manage the information and decision online ordering should be adopted in line with the common minimum range 250 outlets.

Caution with Innovation

Club card in the first decade of his work brought a tremendous success because Tesco was the first company that has become so regularly collect information about their customers, and then use it in building their business models. No less successful, at least at first, began experimenting with the format of shops except for super and hypermarkets Tesco in the early 2000s launched a small convenience store, suitable for city centers, with their expensive real estate, where the stake on the finished products and ready meals (Witcher, & Chau, 2008, pp. 101-114). Then the format was copied by many networks of competitors.

However, in the scientific approach Tesco analysts now are not so sure. They decided that it was too bright (Bowhill, 2008). They believed that the science of analyzing data cards to store format and organization of logistics will be the foundation of their success. In Tesco thought: we have a huge pool of

buyers, though now they open their wallets. But it forgot to think about the fact that retail sales are primarily a communication with the buyer. What is an art, not a science said by experts (Smith, 1990, pp. 24-64).

An illustrative example is the U. S. division Tesco stores Fresh & Easy. The British retailer has entered the American market more precisely, on the West Coast of the U. S. market at the height of its market. The first store in the U. S. opened in November of 2007, and it was planned that during the first year the network will grow to 100 points (Norreklit, 2000, pp. 65-88). U. S. stores have been made to the British model of convenience stores Tesco, where a small area sold the most essential products, especially in process and finished food. As President Tesco Philip Clarke, the U. S. unit will break even only in 2013-2014, when the network will be about 300 stores. At the end of 2011, the total losses since the start of Fresh & Easy \$ 1. 3 billion. American stores, however, are not a priority for Clark, who became president of a Tesco in 2011 (Kaplan, & Norton, 1996, pp. 75-85). In February, he led not only to the entire group of companies and its British division a necessary measure, which I had to go after the resignation of the head of the unit. So, all changes will be announced exclusively British shops Tesco. Although, almost all of the changes described by the phrase back to basics, some innovations Tesco plans to launch yet. So, in order to strengthen their competitive advantage, by delivery of products ordered through the internet, Tesco will increase the number of virtual supermarket in London and the South-East of England (Ittner & Larcker, 1998, pp. 1-35). In addition, customers will be able to order products on the site, and an hour later to pick up shopping bags at a convenient outlet. Such innovation, according to Philip

Clarke, to improve service quality. And, therefore, return of British consumers to the supermarkets of its network.