

Managing operations of tesco and asda



**ASSIGN
BUSTER**

In this fashionable world organisations are annoying to rely on modern forms of operations management techniques to enhance the productivity and effectiveness. Operations management in modern world plays very vital role in organisational success because it is the spine of every organisation.

Planned issues comprise plant arrangement and formation, project management means, and kit variety and replacement. It thinks the achievement, growth, and use of resources that firms require to bring the goods and services according to the need as their customer desires.

The reconsider of Operation Management ranges from planned to strategic and functioning levels. Agent planned issues include formative the dimension and site of developed plants, making a decision the preparation of examination or telecommunications networks, and scheming skill supply chains.

. Operational issues comprise manufacture preparation and manage, inventory management, excellence manage and examination, traffic and materials healing, and kit preservation policies.

Operations Management is a subject of business which relates with the production of goods and services, and includes the task of making sure that business operations are well-organized and efficient. It is in addition the managing of capital, the allotment of goods and services to clients, and the examination of line up systems. Operations Management deals with the plan and supervision of products, dealings, services and supply chains. It focuses on the capable planning, preparation, use, and controlling of a industrialized or service organization through the learning of concepts from design

manufacturing, business engineering, management information systems, Total quality management, production management, inventory management, accounting, and other functions as they affect the organization. Operations also downgrade to the manufacturing of goods and services, the put of value-added activities that change inputs into a lot of outputs. First and foremost, these value-adding original activities should be correlated with marketplace chance for best enterprise presentation (Ackerman, 1997).

Objectives of the Paper

In this assignment I intend to evaluate and distinguish the operations management procedures of two different organisations. In the beginning i selected two different organisations of different industry then i divided this assignment in to three parts. First part of the assignment will identify each organization's current/prospective customers and analyze whether each organization's operation is adequately designed to meet its Customers' needs. Second part of the work discusses the concepts/frameworks on managing operations that are appropriate to each of the organizations, and we will also review the extent to which it is practised and/or applied, and analyze critically the difference between the selected organizations. The third and final part will discuss the mix of managing operations concepts/framework used by each of the organization. In order to accomplish this work we have selected two companies one is related with finance industry and another one is related with supermarket. Our first company in Asda where I am currently working and my second selected company is TESCO. We have selected the financial company of TESCO.

<https://assignbuster.com/managing-operations-of-tesco-and-asda/>

TESCO Personal Finance Company

TESCO decision to enter in a consumer sector was very much strategic decision. TESCO plans an attack on Britain's crisis-ridden banking industry by offering mortgages and current accounts to shoppers for the first time. The supermarket giant, which defies the doom and gloom on the high street with half-year pre-tax profits of pound stg. 1.4 billion (\$3.1 billion), said that its brand stood out as a safe haven for consumers worried about the safety of their money. (Barrell, & Pain, 2001, pp. 1770-86).

TESCO Personal Finance Current & Prospective Customers

It has major span of customers from corporate world and other individual who requires personal finance for their personal needs and requirements. A well-run grocer is likely to produce decent financial results whatever the wider economic conditions. Tesco demonstrated just how sturdily it dealt with the recent economic tribulations with its annual results, but it also showed it is equipped to drive future profits forward in almost any environment. The 12.4 per cent rise in the full-year dividend may give investors the best idea of Tesco's strengths. The size of the increase not only reflects past achievements but also management's confidence in being able to sustain growth.

In spite of the trading record, Tesco shares have done nothing special since the start of 2001. They have outperformed the market average but in absolute terms the shares are down 10 per cent in the past 18 months. However, there is every chance that Tesco's fundamental strengths will win

it an increasingly enthusiastic following Buy (Barrell, & Pain, 2003, pp. 17-23).

Corporate Strategy for TESCO

TESCO has aligned high-profile banker Benny Higgins to head its personal finance business, indicating it is planning an aggressive expansion to take benefit of weak rivals. The detain of Higgins is also a signal that Tesco is close to sealing a £1bn contract to buy out Royal Bank of Scotland's half share in Tesco Personal Finance. A source confirmed the planned expansion of TPF, saying: 'It's a good time for them to push on when the market is weak.' The grocer has been casting around for a suitable candidate to take executive control of TPF since making an informal approach for RBS's stake in the joint venture a few months ago.

The partners have agreed a deal in principle. But sources said the pair is in talks with the regulator, which could take another four weeks. It is thought RBS would persist to give banking services to TPF for the period of a handover and Tesco would then apply for its own banking licence from the Financial Services Authority (Barrell, & Pain, 2000).

Tesco Competitive Priority Analysis

The UK's largest supermarket group is expected to report sales up by between five and ten per cent — even though last year was also good with increases of 7.5 per cent. Underlining its dominance of the market, Tesco has delayed its trading statement in previous business results quarter. This contrasts with a number of struggling retailers forced to bring forward their

results after a warning from the Financial Services Authority. Woolworths, Marks & Spencer and Ottakar's have already rushed out statements.

Tesco's results will make it the clear winner over the festive season, though its American-owned rival Asda is expected to show strong results. Sainsbury is still showing little improvement, with its statement on Thursday expected to show sales either flat or down one per cent.

Morrison's continues to struggle with integrating the Safeway stores it bought last year. The Bradford-based chain is forecast to show like-for-like sales up about two per cent, but sales in Safeway stores yet to be converted to the Morrison's format are down by double-digit percentages.

ASDA INTRODUCTION :

. ASDA is the second largest food retailers in the UK employing over 143, 000 people, and provides online services through its subsidiary, ASDA. com. The UK grocery market was worth £146. 3bn for the calendar year 2009, an increase of 4. 8% on 2008 (IGD, 2009), where they operates under four banners of " Convenience store, Traditional retail, Hypermarket-supermarket-Superstores and Online channel amounting 92, 796 stores".

ASDA supermarket retails food, drinks, clothes, amusement goods and other general products. The bent in 1965 by a group of farmers from Yorkshire, who had very little knowledge about business. Having created a firm foundation for themselves in northern British region they decided to expand southwards. This expansion took its course by the 70s and 80s. In 1989 ASDA bought rival chain Gateways superstores for £705m and this is where

most literature indicates that the organisation began to feel overextended as they were selling too many products.

. ASDA rented many ideas from American supermarket WAL-MART' and in 1999 ASDA was completely owned by Wal-Mart for \$10. 8 Billion fitting one of the world's biggest supermarkets.

In May 2010, it was announced that Asda would buy all of Netto's UK Operations for a £778 million deal.

ASDA COPORATE STRATEGY FOR CUSTOMERS:

ASDA offers a wide-ranging of product and service offerings including, delicatessens, , banks, , clothing, pharmacies, bakeries books, CDs, DVDs, flowers, wine and spirits stores , gifts and electrical goods . provides the details of whole range of business opportunities available to grow and discussed in strategic options. After identifying strengths and opportunities, analyzing portfolio of the business, they should work towards increasing their market share by turning question marks into star.

At the same time they should invest in increasing sales of ASDA Grocery line to stabilize in present position to increase their profit via sustainable operation through low-price strategy. This could be further backed with improving online shopping and grocery shopping delivering.

Also they shall consider on their advancing ethical stand point by continuous audit on their suppliers and further investing on improving safety issues and labour sabotage. ASDA has values which summarize their beliefs direct on

their decision and actions on market and serve its purpose to the fullest as respect for individual, strive for excellence and service for their customers.

ASDA MARKETING STRATEGY

Asda is trying to intend its marketing strategies and plans while allowing for the modern needs and supplies of the customers. Asda has developed a new £45 million marketing strategy that will see the end of the ‘ always low prices ‘

The new phrase will be ‘ more for you for less’, which Asda believes will emphasize the quality and innovation of its food and drink products as the low price perspective was not working as well as it used to with consumers.

Asda’s market share fell last year to 16. 7 per cent and its position as the UK’s second biggest supermarket is under pressure from Sainsbury’s

Asda is working with a mission to provide good quality in lower prices.

Part 2

Managing Operations Strategy for TESCO Personal Finance

Banking Angle Competitive Edge

Tesco also is benefit from its continual push into banking. The group’s financial process, Tesco Personal Finance, has prosper from the economic disaster as British consumers pull their money out of the country’s disturbed banks. Since last fall, the unit has seen a near-doubling of savings balances, to \$6. 6 billion, as of the end of February. Tesco, which bought out former

partner Royal Bank of Scotland (RBS) last December, plans that at the end of this year 30 bank branches open in its stores. Leahy seemed to confirm Tesco's ambitions to push more aggressively into full-service banking. " We believe that we've got a good opportunity to grow that business with the Tesco customer base, and we can have a bigger, better banking business," he said (Blake, 2006, pp. 72-9).

Still, discounting is taking a tax on Tesco's profit growth. The 5.5% uptick reported on Apr. 21 was the slowest in 15 years – and far less than the 11.8% posted a year earlier. At the same time, Tesco is feeling increased pressure from rival British chains Wm. Morrison (MRW. L) and Sainsbury (SBRY. L), which saw full-year sales rise 7.9% and 4.5%, respectively, vs. growth of just 4.3% in Tesco's like-for-like British sales.

That's one reason Tesco, which already operates in 14 countries around the world, is pinning so much hope on success in the U. S. Since opening its first Fresh & Easy outlet in Los Angeles in Nov. 2007, Tesco has three main areas in: Southern California, Las Vegas, and Phoenix. But that's a lot fewer than it once hoped. The company now says it's aiming for 200 stores by November of this year – 50 fewer and almost a year later than originally planned.

Online Banking

Online banking is no longer being viewed as such a crucial weapon in the battle for customers that are raging among the major high-street players. But in case of retail banking it is still the crucial weapon that bankers can use to attract more and more customers and to retain them by offering several beneficial services. Twelve months ago, the pressure on banks to implement <https://assignbuster.com/managing-operations-of-tesco-and-asda/>

an e-commerce strategy was intense and those who failed were severely punished in the stock market. The ability to carry out detailed financial transactions over the internet, insisted observers would be an essential tool to attract investors over the coming months.

The growth of the online banking world, it concluded, would be down to the major institutions restoring public faith in their services after a wave of negative publicity. However, these feelings won't really impact on the way the industry views the attractiveness of the web. Having an internet strategy is another feather in the cap of banking. It's another medium through which banks can deliver services and products to customers. Today, it is still important to have a multi-distribution platform that will include a full mix of avenues such as the web, branches and telephone banking. Online is just another option (Blake, & Young, G. (2005, p. 7).

ASDA OPERATION MANAGEMENT STRATEGY

Supply Chain Information Database in ASDA

A supply chain is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers." (Ganeshan and Harrison)

Information-processing technology

Information-process technologies include any devices which collect, manipulate, store or distribute information. computer-based technologies is the most common single type of technology with operations. The presence of <https://assignbuster.com/managing-operations-of-tesco-and-asda/>

computer-based technology in nearly all types of operation and the sheer pace of technical improvement make information processing technology particularly significant. (Nigel slack, 2001)

The ASDA warehouse implementation of new technologies to develop their operations is as follow.

ASDA is the second largest grocery retailer in the UNITED KINGDOM and has grand plans to continue to grow its market share. ASDA realize that to invest in IT to sustain its growth strategy. But key to that is the supply chain. accessibility has a direct behaviour on a customer's awareness of ASDA: having the right choice is important but if the product is not on the shelf, then we cannot make happy our customers.

In addition to high accessibility there is enormous pressure on retailers to overcome stock in both stores and depots, to decrease lead times from supplier to shelf edge, and to increase order accuracy to make sure that stores and depots get the right products on time. Including to this the necessity for 24-hour trading – coming on top of Sunday trading – and still increasing ranges.

Integration, synchronization and speed

The benefits of integration come directly from the effects of combining several separate technology units into one simple synchronized whole. First, there is fast throughput of information or materials. Second, as a consequence of throughput speed, inventory of materials or information will be lower. Third, flow is simple and predictable. It is easier to keep track of

parts when they pass through few stages or information when it is automatically distributed to all parts of an information network. (Nigel slack, 2001)

Three years ago the company had no information systems to sustain its focus on customer accessibility and availability. All the supply chain ordering systems were removed both from customer demand and each other. devoid of a sales source for ordering, there was no forecasts shared between systems and the company relied heavily on manual intervention and raze reaction. There was a clear require to drive sales right through the supply system, to make sure that all ordering systems were based on sales forecasts. To achieve this ASDA needed to assimilate the supply chain, create a single base for ordering and forecasting from stores and depots to suppliers. They required to totally automate that procedure and provide full central visibility at head office for monitoring and control of the supply chain dynamics.

primarily to the development was the integration of a data warehouse into the business process to deliver, “ One version of the truth. We also required intelligent systems that enable alerts and exceptions to be integrated into the operational system to set off driving those decisions and to let the system to drive the day to day decisions, with only exceptions being handle by people.” John Malpass says, Business Systems manager. (<http://www.strategy.com/Customer/Succeses/uk/asda.asp>)

The Internet

Undoubtedly the most significant technology to impact on operations management in the last few years have been the Internet. In effect, the Internet is a network of networks. It is used to link computer networks with other computer networks. (Negel, 2001)

Sales information is clearly key for the Store Managers and, asda plans to use MicroStrategy that give information to store managers by connecting internet, This information helps them to compute the cost of lost sales and quality reason, using MicroStrategy Web, the information can be presented to the store managers in a simple fashion via the Web links on the Internet, enabling him to know both how previous decisions impacted his store and what potential issues of stock outs he may face that day.

ASDA benefits from the implementation of new technologies in the warehouse, besides; it also starts to set foot in using new technologies in the distribution field.

E-business

ASDA's e-commerce business group decided a switch to in-store picking was necessary to increase geographical coverage and improve both productivity and operational efficiency.

However, to make this work, the company decided it must have an automated, paper-free system which would enable them to improve picking accuracy and levels and reduce returns, whilst using productivity gains to satisfy growing customer demands. Alongside achieving a reduced processing cost per order, the new system had to provide accurate

management data, enabling them to monitor and measure performance at individual.

PART 3

operation management mix actually has these four factors

Top down perspectives

Market requirements perspectives

Operations Resources perspectives

Bottom – up perspectives

Operations Management Mix Used by TESCO

Financial services are now one area that Tesco has been just beginning as it seeks to uphold enlargement. In buying out RBS and taking full possession of its Tesco Personal Finance commerce, Tesco should be able to produce annual profits to GBP1 billion, from the GBP240 million estimated for 2008. In applying its centre values of ease and value, Tesco could make life hard for smaller lenders.

Established in 1997 as a combined venture between Tesco and Royal Bank of Scotland (RBS), Tesco Personal Finance (TPF) was set up to sketch on the bank's monetary skills, while using Tesco's stores and website as a means for employing and serving customers at low cost.

High street banks, which are at present pain from the credit chomp and pending the High Court bank charges case choice, will see Tesco's choice to

<https://assignbuster.com/managing-operations-of-tesco-and-asda/>

buy TPF from RBS for GBP950 million as a confrontations. Moreover, Tesco has been able to take advantage of on the fact that RBS is disposing of investments as the have an account seeks to raise GBP4 billion to boost its battered balance sheet (Minford, et al. 2002, pp. 30-67).

It is obvious that the seller has recognized significant range for additional possible growth in what is a very lively and broad sector. In taking full possession of the commerce, the firm will be improved able to use the possible offered by TPF. Even at this near the beginning stage, Tesco intends to add to the attendance of TPF products in-store, as well as just beginning new products. Indeed, the achievement of the TPF ‘ trial branch’ in Glasgow demonstrates the huge existing potential to build the TPF trade.

Tesco has debatable the chance for more savings products and the option of a current account, with the entry into mortgages charge on client demand. As TPF is not at present bare to mortgages, it has a strong balance sheet and, different many of its competitors, is not exposed to bad debt or sub-prime loans. Looking additional ahead, Tesco is probable to use its financial services commerce to make stronger its global interests, which stay self-effacing in this area.

An essential part of the plan going forward is to develop TPF into a full overhaul retail bank, as long as better choice, novelty and value to clientele. Achieving this will be much easier subsequent the meeting of Benny Higgins as chief decision-making; Mr Higgins brings considerable sector experience from his time as head of retail banking at RBS and HBOS. This will not only

allay fears of Tesco overstretching itself, but will add confidence in the venture from shareholders and the City (Niehans, 2000).

Operations Management Mix Used by ASDA:

Asda has been able to diversify so much so that it offers an online retailer. The majority of products that customers can find in-store are available online. When purchased, goods are then delivered to your home address. There is also an Asda Finance department. Asda Finance offer insurance policies for cars, homes and personal goods. They also offer mortgages and loans.

Asda is famously known for its “ Asda Price” and “ Roll Back” marketing campaigns. Due to price being one of few options to compete with the likes of Tesco, Asda have to set prices as low as possible. This is what the “ Asda Price” and “ Roll Back” campaigns aim to do. Asda’s policy is to introduce ‘ permanently low prices’ through “ Roll Back”.

This means that Asda can have fewer promotions but more permanently low priced products Asda’s prices for goods were on average 5 to 10 percent lower than the market average. The aim is to increase profits through sales volume. This means that the company aim to entice more customers due to here lower prices. Therefore, profits will increase accordingly due to greater custom.

-

Asda have some strong resources like

Communication Resources

<https://assignbuster.com/managing-operations-of-tesco-and-asda/>

ASDA, being apart off the Wal-Mart family, has lots of money backing, and is somewhat able to experiment with their communication strategies. The type of media vehicles that could possibly be used by ASDA as their main marketing tools would best be done in an IMC strategy.

The types of vehicles that were used together in order to work with each other would best include, television campaigns and also include and advertising catalogue or brochure that goes along with what was done in the television commercial. These two driving vehicles will help to gain more brand awareness in that consumers will see the ad, remember that they had these commercials and also that they had their own catalogue

financial resources

the amount of money that they have at their disposal in order to fill their communication objectives, they have well over the required amount as their parent company is Wal-Mart, one of the biggest companies in the US, and around the world. Making for an almost impossible amount to put onto what they could spend, as it would go off into the millions and millions.

Human resources

the company has a large number of stores all around the UK, so personnel will not be so much of a problem, especially with how large of a company they are. Placing people in different roles and positions in the company will not be as big a problem as it would for a lesser company. This makes arrangements for hiring and placing people in different marketing positions fairly easy

CONCLUSION:

Asda and Tesco are both UK leading supermarkets, both have resources and well trained staff which are fully equipped and trained. Tesco and Asda has traditional foods for people belonging to different parts of the globe. Tesco has Halal meat for Muslim people, Tesco has Traditional Indian cloths for Indian ladies that means Tesco is serving better without making any difference in customer from where they belong, ethnic origin they have similarly ASDA is doing.

After studying this Operations management course now I have quite clear in my concepts about organization's operations, their workings, their implementations of different marketing strategies in fast changing environment

REFERENCES:**Operations Management**

Prof Nigel Slack, Dr Stuart Chambers, Robert Johnston

Barnett, A. H. 2000. "The Pigouvian Tax Rule Under Monopoly," *American Economic Review*, 70, pp. 1037-1041.

Barrell R. and te Velde, D. W. (2000) 'Catching-up of East German Labour Productivity in the 1990s'. *German Economic Review*, forthcoming.

Blake, A. (2006) 'Forecast Error Bounds by Stochastic Simulations'. National Institute Economic ASDA thrives on premium lines and more organic food (2006) *The Guardian*, [Online], Available: (<http://www.guardian.co>.

<https://assignbuster.com/managing-operations-of-tesco-and-asda/>

uk/business/2006/nov/15/supermarkets. asda) Last accessed: 05th April, 2010.

Awbi, A (2006) ASDA Wal-Mart guilty of anti-trade union activity Food&Drinkeurope. com, [Online], Available: (<http://www.foodanddrinkeurope.com/Retail/Asda-Wal-Mart-guilty-of-anti-trade-union-activity>) Last accessed 05th April, 2010 Review, May, pp. 72-9.

Blake, A. and Young, G. (2005) Memorandum submitted to the Treasury Committee, Fifth Report ‘ The UK and Preparations for Stage Three of Economic and Monetary Union’, Volume III, Appendix 3, p. 7.

Levin, D 2003. “ Taxation Within Cournot Oligopoly,” Journal of Public Economics, pp. 281-290.

Lin, S. A. Y 2006. Theory and Measurement of Economic Externalities, New York, NY: Academic Press.

Martin, R. E 2002. “ Externality Regulation and the Monopoly Firm,” Journal of Public Economics, pp. 347-362.

Minford, P., Rastogi, A. and Hughes Hallett, A. (2002) ‘ ERM and EMU – Survival, Costs and Prospects’. In Barrell, R. and Whitley, J. (eds) Macroeconomic Policy Coordination in Europe (London: Sage), pp. 30-67.

Niehans, J. (2000) The Theory of Money (Princeton: Princeton University Press).

Smets, F. (2000) ‘ What Horizon for Price level Stability’ (Frankfurt: ECB), mimeo.

<https://assignbuster.com/managing-operations-of-tesco-and-asda/>

See full size image

FINANCIAL BUSINESS TRAINNING

OPERATION MANAGEMENT (OM)

STUDENT NAME: MUHAMMAD YASER HANIF

STUDENT NUMBER: F1003427