

Operation management assessment of tesco malaysia flashcard



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Tesco competitive priorities fall into two major categories: price and own-label.

To reduce cost, having a great relationship with the suppliers and sourcing goods from local or overseas manufacturers who are more competitive with price and volumes reduce their input cost. Further to this, the ability to control operating cost and drive for efficiency in their operation management is a requirement.

Tesco own-label is exclusive and made to match-leading brands. It's about giving customers confidence in the quality, value and reliability of the things they sell. Their pricing are very attractive and it's their selling point to help customers save more without compromising on quality.

If Tesco is able to create a brand loyalty for their product offerings, thus price inelasticity on the part of the buyers.

Business Level Strategy

Using Porter's Generic Strategies, we're map Tesco Business Level Strategy

Table 1: Porter's Generic Strategies

According to (Porter, 1985), A firm needs to choose between cost-leadership and differentiation strategies to create a sustainability competitive advantage or it will become stuck-in-the middle without coherent strategy (Acquaah & Ardekani, 2006). However Tesco has shown it is possible to implement both cost leadership and differentiation strategy, term as hybrid strategy (Baroto, M. B., Abdullah, M. M. B., & Wan, H. L., 2012). Other

successful companies have done so such as IKEA and German's Auto Industry.

Five Objectives of Operations Management

Quality

The Tesco Homebrands are exclusive and made to match-leading brands in quality, value and reliability. They have 4 categories, Value, Choice, Light Choices and Finest. Each brand has its own product offerings to meet the growing demands of diverse customers taste and preference (Tesco Homebrands, 2012).

When you walk into a Tesco store, you can expect it to be well lighted, air-condition, clean and tidy. Shoppers perception previously was such setup would mean the product prices are expensive. This is no longer the case and customers have to come expect a pleasant store environment. Keep stores neat and tidy is not easy to sustain but it is an inexpensive way to attract customers.

Speed

Speed of response to a product and services is becoming more demanding now. In a well-run store like Tesco, you need good and efficient cashier to help move shoppers out of lines fast or in a timely matter. Having more checkout counters open also helps to reduce long queues as it could lead to customer dissatisfaction.

Stock availability on the shelves is becoming more important for retailers. This is to ensure every product are available at it place all the time for shoppers purchasing. Else, they will go somewhere else. In order to measure stock availability, Tesco has implemented a key Store routine process call the Gaps scan. By scanning the product barcode, it will inform what the current stock level. If below, the gap scan will provide them what are corrective action and a label will be place to indicate the reason (Julien, 2013).

Dependability

Since opening its first store in Puchong, emphasis was to have a large car park to ensure availability of parking to the shoppers. This is not necessary the case as public took advantage of the free parking. Parking fees was implemented to discourage free parking where paying shopper will get free parking after spending x amount. It was not successful, dropped and a challenge till this day. As a result, Tesco is unable to realize the full potential sales that could have generated.

In Tesco, accurate prices are important to maintain customer satisfaction. Shoppers are dependent that pricing in stores are consistent with what's being advertise on the printed media and online. In the event there is a price dispute, Tesco will honor the lowest price. To minimize such incident, store staffs are required to scan the product barcode before opening hours.

Flexibility Tesco Malaysia new store format, Tesco Extra has a contemporary design and a brighter look. It caters to small businesses, families and

individuals with comprehensive selection of products and services such as <https://assignbuster.com/operation-management-assessment-of-tesco-malaysia-flashcard/>

pharmacy, business development to support small business owners with their purchase (Tesco Stores, 2013). Plans are on the way to retrofit their existing stores to this format.

Recently, Tesco Malaysia launched the Grocery Home Shopping Service. They are the first retailer to setup online shopping service where it will deliver to your doorstep. It's very convenient and alternative solution if you're do not have time to visit the store. (Tesco eShop, 2013)

Cost Tesco relationship with manufacturers, suppliers and the use of technology for distribution and logistics are crucial in keeping its operating cost low. For example, Tesco Value product ranges are white in color, simple packaging and standard design across the whole product range. Tesco is how they are able to minimize its cost to keep the retail price as low as possible.

Another is Tesco Ambient Distribution Centre (TADC) at Bukit Beruntung which is the hub for optimal storage and logistics. They were able to show how this high tech facility is able to cut down delivery cost and time to consumers by nearly half which translates into high transparency in its supply chain and lower prices for customers (Tesco Press Release, 2012). Tesco use of technology helps to implement effective cost saving strategies.

Key Performance Indicator

Key Performance Indicator (KPI) is a quantifiable measurement of a company's set operational and strategic goals. The tables below represent

Tesco Malaysia scoring based on the performance objectives and its competitors.

Conclusion

Tesco Malaysia has done very well with its current business strategies to meet customers demand for product choices, low prices and availability. They have listen to their customers and have become a better retailer now.

With a stable operation and revenue stream, our recommend to Tesco Malaysia are the following, •Being aggressive in opening new stores especially in East Coast, Sabah and Sarawak. •Review the use of different store sizes to fit into smaller communities. •Identified correct product mix and range for different store sizes. •Leverage on technology used within Tesco Group to become more efficient and provide better service. Example: self-service checkout, intelligent queue management system. •Diversified their revenue stream to reduce risk from single source of income.

The end result is to increase market share and increasing profits it earns over its lifetime.