

Operational activities of tesco and coca cola



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Executive Summary

Operations management plays a key role in achieving the performance objectives at Tesco and Coca Cola. The underlying aim is to pace in such a way that the focus lays on the customer needs and wants while the organization stays profitable. Substantial facts have been established with sole focus on utilization of resources by both the companies in an efficient manner.

Organizational difference between the two companies has been highlighted under the light of operations management. And an evaluation mix based on both the organizations' operational framework is elaborated depicting various factors involved. A critical analysis on the structure of both the organizations is provided which mainly entails the similarities and differences on their respective processes and operations.

Contents

Section A

In the following section, introduction to the selected companies is provided in which a deep insight into the identification of current customers is discussed and what current strategies are applied to them. Along with that, it has also been explained that how the operations are aligned to the customer needs.

Introduction to TESCO

Tesco is the largest retailer chain in the UK and the third largest in the world. To be exact, as stated in Tesco About Us, (2010), it has operations in 2, 362 stores in Britain alone. Tesco started off by trading only groceries but now it

merchandizes almost every consumer product ranging from a needle to consumer electronics and financial services. It has grown through various acquisitions of businesses. As Tesco has grown and so have its employees. Tesco currently employs 286, 394 staff in the UK and over 460, 000 worldwide (The Times 100 , 2009). To serve bigger markets it needs well-trained staff. The UK is the company's largest market, where it operates under four banners of Extra, Superstore, Metro and Express. The company sells almost 40, 000 food products, including clothing and other non-food lines. The company's own-label products (50 percent of sales) are at three levels, value, normal and finest. It knows that better staff knowledge, skills and job satisfaction is all vital to its further growth.(<http://ivoryresearch.com/sample5.php>)

2. 1 Customers

Current trends indicate that British customers have moved towards ' one-stop' and ' bulk' shopping, which is due to a variety of social changes. Tesco have, therefore, increased the amount of non-food items available for sale. Tesco is purely a consumer centred organization. It constantly strives to offer new services, products and ways to shop. It also makes sure that the delivery is executed on time and is hassle free with no strings attached. Its customers include two entities which comprise of B2C and B2B; domestic or regular buyers and small businesses that buy in bulk for further retail, respectively. According to Baba, (2009), Tesco has an aggregate market share of 30. 5% with ASDA following it with about half the lag.

2. 2 Alignment

All the stores are linked to a database and inventory control is ensured in order to meet the consumer demands. It keeps on giving discounts on goods that are in demand and customer focussed. Especially during seasonal events, Tesco has the policy of lowering the prices while maintaining the quality of products as well services offered. Tesco makes use of advance technology in its routine as well as specialized chores. It has innovated and deployed cameras to reduce queues on self-service tills. This is considered as a breakthrough in mechanized retail business.

Introduction to Coca Cola

Coca Cola started its operations from Atlanta in 1886 as a drug to relieve from headache by a pharmacist Dr. John S Pemberton. Later it became popular and was put into production as a carbonated cola drink. Currently, The Coca Cola Company is the world's leading manufacturer, marketer and distributor of non-alcoholic beverage concentrates and syrups, and produces nearly 400 brands. Its winning team comprises of over 92, 800 employees globally. It has operations in more than 200 countries. Coca Cola Great Britain (CCGB) offers 21 brands and over a hundred products to the consumers in the UK. Its regional headquarters are situated in west London.

3. 1 Customers

Coca Cola is a refreshing and invigorating brand and caters to the same market as such. Customers include the youth and young adults but kids and adults have also shown frequent consumption patterns over time. According to Coca Cola, (2010), it offers about 1. 6 billion servings of its products to the

consumers per day. This represents that it has a huge customer base and is very popular among many.

3. 2 Alignment

Coca Cola's vast operations system is responsible of catering to variable demand of its consumers. With a customer base this large, it has concentrated on its supply chain system to ensure ready availability of Coca Cola products to its consumers. It has marketed itself at the right place and at the right time to ensure its presence among its valued customers. It has catered to the regional values and blended itself into the culture of its consumers such that it keeps the customer relationship bond intact.

Analysis

4. 1 Total Quality Management (TQM)

As mentioned by Oakland, (1995), Total Quality Management is a mix of total quality and total management. It specifies quality, defines service and quality of service. Following are a few of the TQM principles adopted by both the selected companies.

4. 1. 1 Employee Training

Employee training and personnel development is an integral part of any organization. Be it the top management or the field staff, training is very important. (Pulat, 1994) Tesco's vast operations and customer handling requires a subtly well trained staff. For this they conduct regular checks and performance measurements to identify key deficiencies in the system and try to uproot them through proper training. Similarly, introduction of new products or services in the brand portfolio requires development of

employees. Coca Cola relies on training its valuable staff periodically. Be it the innovative technology improvement in production or new inventory management software, Coca Cola strives to provide their workforce with trainings ranging from basic level to the advanced.

4. 1. 2 Continuous Improvement

Continuous improvement is a very basic concept of TQM and must be a part of every organization. Tesco practices commitment towards closed loop feedback for system correction. It focuses on the communication process and obtains feedback both from its employees and from the customers to accelerate the improvement process. Coca Cola, on the other hand, practices continuous improvement which means that the processes should be made so efficient that no defective article reaches the marketplace. Hence, straightening the processes such that they are aligned to the customer needs.

4. 1. 3 Teamwork

In the current scenario of cut throat competition in the market, firms need to be equipped with multi-dimensional, flexible and competitive workforce to be effective. Coca Cola train its staff in order to create cross functional teams which, in return, give the company harmonized systems of control till the lowest level of hierarchy. Tesco creates opportunities for its workers to hone their teamwork abilities by assigning them a variety of projects. It, hence, synergizes its employees in pursuit of a common goal - customer satisfaction.

4. 2 Marketing strategies

According to Etzel, (2008), marketing strategy is a process which involves utilization of limited resources to attain opportunities and eventually, customer satisfaction. Following are some growth strategies designed to identify and focus on the customer.

4. 2. 1 Cost Support System

Cost support system signifies that the organization is leading the business due to its low cost of production. Tesco being a market leader in retail store business has managed to cut its costs in many ways. It has implanted automated tills where customers are enjoying self-service. Through this it has managed to cut some of its human resource employment cost. Additionally, the implementation of adequate inventory control system has slashed Tesco's over or under filling problems which has, in return, saved marginal expenses. Coca Cola has adopted new ways of bottling and through proper research, managed to reduce any wastage cost. Besides, they have their own filtration and recycling plants which have condensed water usage by 21% (Coca Cola, 2010).

4. 2. 2 Market Subdivision

Market subdivision is done in order to identify the individuals who share one or more characteristic that distinguishes them with respect to demand of similar products based on qualities and prices etc. Coca Cola has segmented its product to the young generation which is energetic and dynamic. It has positioned itself in the same way as its target market is. It is available everywhere in the form of bottles and vending machines placed in offices, canteens, bars etc. On the other hand, Tesco targets the shopping

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community like housewives and adults. They have an access to self-earned money and make buying decisions themselves.

4. 2. 3 Product Distinction

Product distinction is all about creating a differentiating factor that make the product stand out of crowd. Tesco has differentiated itself by price slashing phenomenon. It offers amazing discounts and gives away bundle offers. Moreover, availability of almost every item that a consumer wants is ensured which makes it a 'one shop stop' for everybody. Coca Cola's greatest differentiating factor is its bottle shape and its unique taste. The shape of the bottle communicates glamour and quality and the taste has a sense of refinement in it.

Section B

Operations Management Framework

As described by Render, (2001), operations management is a process concerned with efficient and effective production of goods and services while meeting customer preferences.

5. 1 Process Planning and Design

Process designing involves understanding the two ends that is where to start and where to finish keeping in view the various requirements and limitations during the method performed. Process planning and design refers to the fact of transformation the process that can deliver factors like low cost, high quality, enhanced functionality and speed etc. to the production process of goods or services. Coca Cola has production in many countries and is responsible of producing highly standardized products in large volumes.

Coca Cola has become a commodity and a necessity to the consumers. The production usually runs 24 hours a day and seven days a week. This all has been achieved through planning and designing the process of production.

Tesco, on the other hand, follows a lesser mechanized channel of approach. It doesn't have to go through the tedious production process but it does package goods to be placed in the stores. Planning and design is an on-going process so Tesco has been continuously planning to spread its fixed cost over the volume. It offers a generalized flow shop operation (See Appendix) which allows the customers an ease of access to all the sections without crowding out and creating bottle necks.

5. 2 Process Mapping

Business process mapping comprises of the activities that define a road map about what the business actually does, the standard and where does the responsibility chain go to. Coca Cola has adopted this concept of creating value chain and establishing the links in the value chain that where the value needs to be added continuously. Meaningful flow charts, work flow diagrams and value stream maps have been designed in order to pre map any latent ambiguities or confusions regarding the processes. Its production process has been made more efficient and it has found and fixed the holdups in the process through this. Tesco Management uses process mapping to revise existing services and add more services into its operations. However, due to a different nature of business, it uses process mapping less frequently.

5.3 Layout Planning

The goal of layout planning is to allow workers, equipment (and where applicable, customers) to operate at peak effectiveness, efficiency and involves determining the most feasible locations of the facilities in order to increase efficiency and minimize cost of operations. Layout planning is a very integral and commonly practiced phenomenon in both the organizations. Layout planning involve the best locations where a product can be displayed and where it would gain the most consumer attention.

Tesco, being a retail store, exhibits various layouts for customers to get attracted. The products offered are well placed and ordered in symmetry. Special offers are positioned usually at the entrance of the mart and at the eye level of aisle. Tesco evaluates the brand presence by demand and positive traits to place it on the shelves as a convenience factor. Like new promotions are advertised within the store through print media and are placed within the reach of common customer.

Coca Cola keenly places it products according to the store size. In small retail outlets, it focuses on brand visibility as well as product availability.

Merchandise and coolers are placed in such a way that they are the first thing to be noticed by the customer who enters the store. Whereas in large retail chains, a proper section is allotted for the Coca Cola merchandise. The aisle is decorated with Coca Cola print advertisements and best-selling and new products are placed at eye level of the consumer to create brand recognition.

5. 4 Supply Chain Management

As mentioned by Blanchard, (2007), supply chain management is an on-going process which aims to harmonize the movement, storage, usage and the whole value chain which include the process from purchasing to shelving.

Tesco has adopted the principles of supply chain management and has reduced its costs by around 45%. As a result, it has been able to lower its inventory as well (Tesco, 2010). As it deals in consumer electronics and basic commodities with standard benefits like food, home supplies, standard clothing etc. its main function here is cost reduction aligned with customer satisfaction. With the fashion goods, timeline is focussed more due to rapidly changing trends. Tesco deals with both the domestic customers as well as to business customers i. e. B2C and B2B respectively. So, it has aligned itself well to cater to both the markets (Brock, 2010).

By implementing supply chain management concept, Coca Cola has reduced its inventory costs and production functionality. This has also enabled the company to ensure a rapid delivery of their products to the outlets and eventually the consumers. One more aspect that urges Coca Cola to constantly improve its supply chain system is its belonging to the fast moving consumer goods (FMCG) sector.

5. 5 Schedule Management

Schedule management is all about ensuring that the right tasks are conducted at the right time and on the right items. Following are some of the factors that the companies keep in their minds while managing operations.

5. 5. 1 Demand Forecast

Coca Cola schedules itself by performing a demand forecast to support the whole operations management process. It plans its capacity beforehand to ensure a steady flow for the future sales. For example, Coca Cola foresees its sales to go up in summers or social events so it schedules the production of products in such a way that it caters to the increased demand of the consumers. Similarly, Tesco follows the demand forecasting techniques to stay profitable and be able to respond to demand during the times of social events and festivals. For example, customers would want costumes and pumpkins during Halloween and Christmas trees during Christmas.

5. 5. 2 Master Scheduling

Key players in master scheduling are sales and operations. Coca Cola has disaggregated its workflow into different major chunks. Through this a synergy is created which has a greater and better effect on the overall production process. This means that production process is divided into various segments and a sum of all would result into a whole. Coca-Cola alters the master schedule and as a result, inventories, lead times and capacity requirements are altered in favour.

Tesco, on the other hand, manages the inventories and supply lines in accordance to the commodity requirement. For example, perishable goods like frozen food are kept till the mentioned expiry period. To make sure nothing goes wasted, appropriate quantities are taken and under storage capacity.

5. 6 Lean Management

Lean management, according to Plenert, (2007), refers to the process of elimination of costs as well as wastes during production process.

Coca Cola is one of the leaders in waste management system. It has laid a three factor phenomenon i. e. reduce, reuse and recycle the packaging. It has introduced a new bottle design which is 20% lighter and it has slashed carbon emissions by 2, 200 tonnes (Coca-Cola, 2010). The company has established recycle zones at certain places to encourage recycling of waste. The glass bottles currently contain about 37% recycled glass, while half of the aluminium used in the cans is recycled. Using the metal in this way saves 95 per cent of the energy needed to manufacture it from its raw form. Hence, new ways have helped slicing costs attached.

Tesco practices employee empowerment. It has a team of multi-cultural individuals working under one roof. They have been delegated certain authorities that help benefit both themselves and the customers. They've been able to specify value in terms of competitive pricing. Moreover, it has cut costs by training the staff thus reducing the mishandling and waste of perishable goods and delicate items. It pursues perfection by creating customer pull value through value stream.

5. 7 Inventory Management System

An intelligent inventory management system is what almost every organization needs today. Tesco was one of the first ones to adopt the RFID system in practice. What purpose does it serve is that conventional bar codes are replaced with computer chips or smart tags. And this makes use of

wireless technology to track inventory. It goes through two stages i. e. firstly; the suppliers tag the inventory and send it to the respective outlets. To make sure it reaches at the right outlet, they are monitored wirelessly. Secondly, the already reached inventory is unpacked and further allotted with a different RFID and sent to shelves. One of the key benefits it offers is that it prevents from shoplifting.

However, Coca Cola practices a bit simpler inventory management system. It gathers the required raw materials like concentrate etc. from various defined sources according to the requirements and stores them for operations. Particular raw material is selected and sent to the work in process. Thus facilitating the entire production process.

Critical Analysis on Differences between Organizations

Although both the companies have customer focused in their minds, the main difference between both Tesco and Coca Cola is their nature of production. Coca Cola serves in the manufacturing sector and produced high quality goods for consumption whereas, Tesco functions in the service sector and is involved in the production of services. It also acts as a middle man for various deals.

Coca cola is a soft drink beverages retail business that serves both the markets i. e. business to consumer and business to business customers. It offers its services to small scale as well as large scale retail outlets in the form of packaged beverage. And for the business community, it has contracts with various businesses like McDonalds and Burger king etc. and provides them with vending machines. It has paced itself well in the industry

and always meets the consumer needs. The operation implications of Coca Cola involve a high tech beverage factory that produces high quality beverages and works 24 hours a day and seven days a week. A steady supply of raw materials is managed at a pace harmonious to the production process. A proper storage and inventory control system is also maintained in order to aid the supply chain aspects and then the supply of beverages to the end user is ensured at any cost.

Tesco, on the other hand, is in a supermarket business. It focuses more on its outlets and the services it provide to the customers. Moreover, a key fact not to be neglected is its online store named as Tesco Direct. As the name suggests, the delivery is made direct to the defined place. All the bargains that Tesco offers are available online on Tesco Direct. This facilitates the consumer even before visiting the store hence adding value. Apart from dealing in the consumer goods, Tesco is also a key player in various other fields. It operates in Garden centers, for financial services it runs its own bank namely Tesco bank. In addition to that, it has its own brand of electronics products known as Technika. Other services offered include its presence in the telecom and energy sector as well.

Section C

Evaluation of Mix

Today, conducting operations in an environment in which if one doesn't evolve from primitive ways, it will go obsolete. Constant innovation in operations framework and selecting a customer focused approach is very important.

The operations at Coca Cola Corporation are in collaboration with their long and short term goals. Through their staunch strategies and their rigorous implementation, Coca Cola has been able to improve itself in terms of financial growth as well as the market share. A better logistics system has helped it reach out to his customers at a rapid pace. And with the implementation of a better and more advanced production plant, it has benefited its own growth by increasing the production capacity and access to multiple productions at a time.

The quality standards are maintained according to the world accredited criterions like ISO and environment friendly standards. They have shifted to using CFC free machinery in their chillers and coolers which are much healthier. With adoption of supply chain management system, the company has enabled a systematic approach to operations. The management of supply chain and operations has helped the company to provide the customers with the required satisfaction level they wanted.

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Tesco also has a smart inventory control and management system. From collection of goods till their sale, everything is scrutinized and put under check to ensure free flow through proper channel. This has facilitated them to manage and forecast the demand of goods that are demanded more and the ones that are demanded lesser often.

Coca Cola provides an excellent customer services programme by introducing new drinks according to the taste of the customers and by doing this they are very successful in maintaining the existing customer's loyalty and catching new customers. Coke also introduces a coke reward programme. My Coke Rewards is customer loyalty marketing campaign for the Coca-Cola soft drink. Customers enter codes found on specially marked packages of Coca-Cola products on a website. Codes can also be entered "on the go" by texting them from a cell phone. These codes are converted into virtual "points" which can in turn be redeemed by members for various prizes.

On the other hand Tesco's Club card loyalty scheme is designed not only to reward members based on their spend, but also to enable Tesco to better understand and meet the needs and preferences of its customers by recording and analysing their buying behaviour.

In each Club card mailing, Tesco uses the information gained from its loyalty scheme to provide customers with offers that are as appropriate to them as possible. In fact, as a member, when you receive your Club card vouchers, you'll also receive one of over 80, 000 different combinations of other special offers and vouchers, allocated to you based on your previous purchases and shopping habits. So instead of having to throw half of the extra vouchers away, you should be able to save money by using them all!

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The lean procedures have devised employee empowerment and led both Tesco and Coca Cola to reduce as well as manage its wastes and eventually the costs attached to it. Coca Cola has deployed large waste bins in the cities to encourage recycling and practices reusing and recycling waste too. Tesco is also very focused to employee empowerment and gives away incentives to the ones who show performance. Additionally, value is not something that is just attached to price, quality or service but it is related to the experience as well. Layout planning plays a keen part in fulfilling this need of the customer. This satisfaction is achieved when the perceived value goes proportional to the quality provided. Hence, the value is added at every step of production of goods or services.

Process automation in the manufacturing of Coca Cola products and in-store mechanization of Tesco has reduced the costs a great deal and has added worth to the companies. The strategies and techniques for production of goods and services are constantly adding value to the means of production as well as to the customer norms which is creating a bond between organizations and the customers.

By tracking performance on a regular basis, both the companies can identify areas that are performing well, as well as those that need to be improved and worldwide aims not just to retain customers. They a bigger share of each customer's ' wallet' - the amount of money the customer has to spend on their products.