

## OnLine Case 3.5

### Tesco's development of IT

Tesco is the UK's leading supermarket group, and as we shall see later in the International Strategy chapter, it has expanded successfully overseas. Tesco was founded by Sir Jack Cohen and grew during the 1980s with a philosophy of 'pile it high, sell it cheap'. In the early years the emphasis was on small stores, town centre locations and low prices. Its image was somewhat 'down market'.

In the 1990s, however, driven by two new strategic leaders, Ian MacLaurin and later Terry Leahy, Tesco was transformed and became the market leader. Sainsbury was deposed from the number one position, and later overtaken by Asda after its acquisition by Wal-Mart.

Tesco has refocused on large out-of-town superstores, 'everyday low prices' and given its brand high prominence, with high profile television advertising featuring Prunella Scales and Jane Horrocks as a sparring mother and daughter. It also pioneered refrigerated lorries for transporting food and developed large distribution depots, also with multi-temperature storage facilities. The logistics were, however, managed by specialist providers. Tesco has increasingly used IT to share its current sales data with its suppliers, requiring them to track sales trends and use the information to ensure warehouses are restocked as and when necessary to ensure individual stores never run out but never have to hold significant inventories. IT has also been utilised to allow Tesco to develop a home delivery arm for goods ordered over the Internet.

Tesco has been renowned for its range of wines and spirits for a number of years, and its drinks-only superstore near the Channel Tunnel terminal at Calais is hugely popular with UK day-trippers. Tesco has, moreover, continually increased the percentage of space it gives over to non-food items. Books, magazines, stationery, music and DVDs have joined clothing and electrical goods. Another major 'loser' as Tesco has grown has, therefore, been WHSmith.

In 2002 Tesco acquired T&S stores, a chain of some 850 'small' stores, many of which it would re-brand as limited-concept, restricted range, Tesco Express stores. Local neighbourhood convenience stores saw this move as threatening as it allowed Tesco to become Number Two to the Co-op (linked with Alldays) in this sector of the market.

Tesco continues to experiment with other uses and opportunities for exploiting IT more extensively. It has developed a small computer which shoppers can attach to their trolleys and use it for bar-scanning every item they select from the shelves. This provides both price checks and an accumulating spend total. It can also be used to check both shelf locations in the store and on product availability. Customers will be notified of special offers and promotions as they shop.

It has also developed and trialled:

- new scales which photo-identify fruit and vegetables, weigh, price and label them
- vending machines for fresh products and
- self-service exit scanning.