

## **MN7030 Summative Assessment 2 Individual Report**

Company- Tesco plc

## **Table of Contents**

Executive Summary .....	3
1.0 Introduction of Tesco plc .....	4
2.0 Objectives of Tesco plc.....	4
3.0 Operation management to deliver Tesco's objectives .....	5
4.0 Translation of objectives into performance .....	7
5.0 Operational excellence.....	10
6.0 Conclusions and recommendations.....	10
7.0 Reference List .....	12

## **Executive Summary**

Tesco is committed to providing quality products at an affordable price. Through the 4Rs model, they have incorporated sustainability into their supply chain, which includes reusing, reducing, recycling and repairing. A company can gain stakeholders with this approach in the future, but after COVID it will also need to implement planning, loading, sequencing, monitoring, and control activities for assessing the demand of online customers. With the application of an online Tesco store, this will assist in assessing how the company is positioned in the digital age.

## **1.0 Introduction of Tesco plc**

The multinational grocery retailer Tesco plc is headquartered in Welwyn Garden City, England. Considering gross revenues and revenue, it was the third biggest retailer in the world in 2011. The company has shops in Ireland, the UK, the Czech Republic, Hungary, and Slovakia. With a market share of around 28.4%, it is the market leader in groceries in the UK. Since the early 1990s, Tesco has expanded internationally, operating in 11 countries (Tesco, 2022). As of 2018, the company has continued to grow outside the US. With its diversification into clothing, books, electronics, toys, furniture, petrol, telecommunications, financial services, and software, Tesco has become a leading retailer. Tesco launched "Tesco Value" and "Tesco Finest" ranges in the 1990s to attract a range of social groups from down-market, low-cost retailers. It is a constituent of the FTSE 100 index and listed on the London Stock Exchange.

## **2.0 Objectives of Tesco plc**

The objectives of Tesco plc has been listed below-

- To provide healthy, affordable, sustainable food to the customers every day
- To give customers with quality products in order to improve their quality of life
- To achieve the sustainability targets with zero carbon approach



**Tesco PLC**

(Source: Tesco, 2022)

Tesco PLC is striving to be one of the leading retail supermarkets while at the same time providing a high level of service and a good range of products at a competitive price for the customer. As well as offering a lower price point than competitors like ASDA, they also offer a free delivery service. This is done with the purpose of increasing profits by generating as much sales as possible in order to maximize profits (Tesco, 2022). A key component of achieving this goal is providing a better service of care to the current customers in order to encourage them to remain customers as well as attract more customers from the competitors, such as ASDA (Moura, 2021). Thus, as a result of the increase in sales, the profits for the company will increase as a result of an increase in sales. It is possible for Tesco PLC to keep track of the amount of sales achieved for this objective, which makes it a measurable objective. Another objective of Tesco PLC is to keep food and clothing prices as low as possible in order to maximize consumer welfare. By offering more deals so that customers can take advantage of, Tesco PLC hopes to be able to offer householders a cheaper trip and so that their shopping will be more affordable. There is also a possibility of achieving this goal. Additionally, it is also the goal to produce and sell a smaller volume of healthier food related products so as to attract more customers who are interested in a healthier lifestyle and will be interested in buying the products. In addition, online store of Tesco PLC will serve two purposes: (1) It will provide a way for people to buy products online, and (2) It will increase profit because people who don't have the time to physically go to Tesco PLC will be able to buy things online (Moura, 2021). There are some customers who prefer to shop online due to the convenience it provides.

### **3.0 Operation management to deliver Tesco's objectives**

#### *To provide healthy, affordable, sustainable food to the customers every day*

This objective is achieved by utilizing the S&OP “*Sales and Order planning*” strategy which consists of analyzing the order requests from customers. By assessing the customer's demand and estimated sales volume, the business is able to meet customer's needs and satisfy them. This strategy also involves setting up an accurate forecast of the customer's demand so that the business is able to plan and prepare a sufficient amount of resources and materials to be able to meet the customer's demand. As per Catalão, (2022) there is a strong desire on the part of marketing to maximize their revenue and deliver products on time. A stable and low-cost production environment is essential - long production runs of the same product are what operations want. As part of the budget, finance is responsible for reducing working capital and inventory, as well as fixed costs, etc (Pereira, Oliveira and Carravilla, 2022). There is no

doubt that planning is an essential component of any business and S&OP can help make sure that all tactical plans are aligned across the various functions and strategic objectives of the company. Tesco plc has been striving to meet the demands of customers and ensure that their first objective is achieved. To this end, they have implemented a number of initiatives and strategies to ensure that their customers are provided with the best possible service. This includes the introduction of new technologies and methods to make the shopping process easier and more efficient, as well as a wide variety of products and services to meet the needs of different customers. In addition, they have also taken measures to ensure that customers are provided with quality product.

*To give customer's with quality product in order to improve their quality of life.*

As per Lim et al., (2022) TQM, or “*Total Quality Management*”, is a management strategy that emphasizes the importance of quality in the production process. It incorporates a cost-cutting strategy, where resources are managed efficiently to reduce waste and optimize production. TQM looks at the entire production process, from the initial planning stages to the final delivery of the product. It looks for ways to reduce costs and increase efficiency, while still maintaining the highest levels of quality. This helps companies to stay competitive and remain profitable. Tesco plc has implemented a cost cutting strategy in the production process in order to maximize the use of resources and ensure that the customers' needs are met without compromising on the quality of the final product (Arifin et al., 2022). This strategy is designed to help the company reduce costs while maintaining the highest standards of quality. The cost cutting strategy is applied to every aspect of the production process, from raw materials to labor costs. By doing this, Tesco plc is able to offer its customers the same quality of products at the lowest possible price.

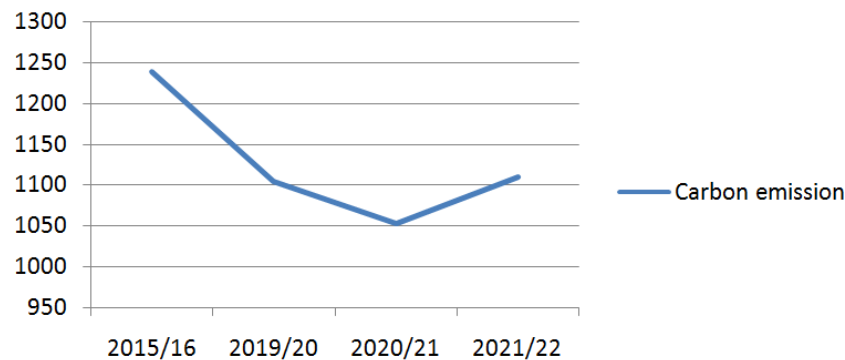
*To achieve the sustainability targets with zero carbon approach*

Tesco PLC has made it a priority to implement a “*circular supply chain*” strategy in order to achieve its goal (AbbAmonTE, 2019). This strategy involves creating an ecosystem of collaboration between suppliers, customers, and other stakeholders that focuses on sustainability, efficiency, and continuous innovation. The circular supply chain model is based on the principles of reducing waste, optimizing resources, and creating a closed-loop system. By creating this closed-loop system, Tesco PLC is able to increase the efficiency of its operations and reduce the carbon emission. The 4Rs - Remove, Reduce, Reuse, and Recycle - is the cornerstone of Tesco PLC's sustainability approach.

	2021/22	2020/21	2019/20	Base year 2015/16
Scope 1 (tonnes of CO <sub>2</sub> e)	1,110,098 <sup>a</sup>	1,053,131	1,105,183	1,240,871 <sup>a</sup>
Scope 2 <sup>(a)</sup>				
Market-based method (tonnes of CO <sub>2</sub> e)	16,107 <sup>a</sup>	13,631	81,531	1,095,671 <sup>a</sup>
Location-based method (tonnes of CO <sub>2</sub> e)	642,337 <sup>a</sup>	718,222	859,583	1,657,316 <sup>a</sup>
Total Scope 1 and 2 (market-based) (tonnes of CO <sub>2</sub> e)	1,126,205 <sup>a</sup>	1,066,762	1,186,714	2,336,542 <sup>a</sup>
Scope 1 and 2 carbon intensity (kg CO <sub>2</sub> e/sq.ft. of stores and DCs)	12.16 <sup>a</sup>	11.63	13.24	26.29
Selected Scope 3 <sup>(a)</sup> (tonnes of CO <sub>2</sub> e)	593,405 <sup>a</sup>	471,195	557,111	684,079
Total gross emissions (tonnes of CO <sub>2</sub> e)	1,719,610 <sup>a</sup>	1,537,957	1,743,825	3,020,621
CO <sub>2</sub> e from renewable energy exported to the National Grid (tonnes of CO <sub>2</sub> e)	279 <sup>a</sup>	350	635	–
Total net emissions (tonnes of CO <sub>2</sub> e)	1,719,331 <sup>a</sup>	1,537,607	1,743,190	3,020,621
Overall net carbon intensity <sup>(c)</sup> (total net emissions kg CO <sub>2</sub> e/sq.ft. of stores and DCs)	18.56 <sup>a</sup>	16.76	19.46	33.98
Total annual energy consumption (GWh)	6,263	6,089	6,443	6,823
UK only total Scope 1 and 2 (tonnes of CO <sub>2</sub> e) market-based	936,257	880,039	905,053	1,751,572
UK only Scope 1 and 2 intensity (kg CO <sub>2</sub> e/per sq.ft. of stores and DCs)	13.67	12.99	13.82	26.98
UK only annual energy consumption (GWh)	5,203	5,037	5,306	5,502

### Carbon emission report of Tesco PLC

(Source: AbbAmonTE, 2019)



### Graph of Carbon emission report of Tesco PLC

(Source: Self-Made)

By reducing the amount of resources used in the production of their goods and services, Tesco is able to reduce their environmental impact and help create a more sustainable world. Removing waste from the production process helps to reduce the amount of waste that needs to be recycled. Reusing resources wherever possible allows Tesco to minimize the amount of new resources needed for production.

#### 4.0 Translation of objectives into performance

*To provide healthy, affordable, sustainable food to the customers every day*

The implementation of Sales and Operations Planning (S&OP) at Tesco PLC has been an invaluable asset in helping the company to accurately forecast their demand and sales volume. This strategic process allows the company to better understand the ever-changing consumer landscape and the purchasing trends, enabling them to proactively anticipate the

fluctuations in demand. By taking into account the various factors that affect sales volume, such as market trends, seasonality, and pricing, S&OP has enabled Tesco PLC to achieve the customer satisfaction strategy. Despite their best efforts, the company has been unable to keep up with the supply chain demands during the COVID-19 pandemic (Mohanty, 2022). The annual report of 2019 to 2020 paints a bleak picture, showing that the company has suffered from a significant revenue loss due to a sharp decline in sales volume. This is a worrying sign for the future of the company, and it appears that the effects of the pandemic may linger for some time.

#### *To give customers with quality products in order to improve their quality of life*

Tesco PLC has been effectively managing its product quality through the implementation of (TQM). This has been evidenced by the company's topmost position in the share market, however, the challenge of supply chain management during the COVID pandemic has resulted in the loss of its customer base. To overcome this, the company has implemented several initiatives, such as the introduction of a new supply chain management system and the addition of new measures to ensure the quality of its products (Zhang et al., 2023). Company has implemented the doorstep delivery option for customers, allowing them to purchase products from the company's online store and have them delivered straight to their doorstep. This has provided customers with convenience and flexibility to shop from the comfort of their homes, saving them time and effort. The company has also implemented the concept of an online store, allowing customers to browse and purchase products online. This has further enhanced shopping experience for customers, allowing them to choose from a wide range of products and compare prices with ease.

#### *To achieve the sustainability targets with zero carbon approach*

Tesco PLC has been at the forefront of environmental sustainability, making strides to reduce the carbon emissions associated with their operations. To this end, they have adopted the 4Rs approach - Remove, Reduce, Reuse, and Recycle - which they consider to be the cornerstone of their sustainability strategy. By removing unnecessary materials and processes, reducing their usage of resources, reusing materials and products whenever possible, and recycling what they can, Tesco PLC is able to increase the efficiency of their product use and also the use of returns. There is a lot of work that packaging does. The purpose of the packaging is to protect the products and to reduce food waste. In spite of that, it is important to make sure that it does not find its way into the environment (Mukhopadhyay, Ghosh and Maulik, 2023).



The 4 R's are a way for Tesco to reduce waste, reuse more of it, and recycle the rest of it - removing where they can, reducing where they can't, and reusing what's left over. This has been beneficial in helping the company to achieve its goal of becoming a zero carbon business. By implementing more energy efficient practices and investing in renewable energy sources, the company has been able to reduce its carbon footprint and reach its goal of becoming a zero carbon entity. Moreover, this has allowed the company to become a leader in the sustainable energy industry and has enabled them to showcase their commitment to protecting the environment.



4 Rs of Tesco PLC

(Source: Tesco, 2022)

In this context:

<p><b><u>Remove-</u></b> Tesco has already eliminated 1.6 billion bits of plastic from their UK operations, among them 200 million bags from online orders, more than 100 million lids off such items as wipes, creams and yogurts, 75+ million tinned multipacks which accustomed to have visible wraps of plastic film, 50 million pieces of covering encompassing not only heralded beers and ciders but accessibly fresh harvest and products swell that were once made entomb in plastic carriers otherwise fronts wholly needed (Tesco, 2022).</p>	<p><b><u>Reduce-</u></b> Tesco strives to reduce packaging to the bare minimum when it can't be removed. More than 3,000 tones of packaging have been reduced in size and weight. Of this amount, 410 tones have been cut from fruit juice packaging. Pre-packaged fruit and vegetables produce over 400 tones of packaging. Multipacks of crisps accounted for 116 tones. From cheese packaging, 95 tones were produced. The large packing of washing powder accounted for 58 tones. Sweets packaging accounted for 39 tones.</p>
--	--

<p><b><u>Reuse-</u></b> Tesco plans to remove plastic from 5 billion products by 2025 and will be harnessing reuse to make this vision attainable. To assess reusable containers for supermarkets in a large experiment, during two-year-period from July 2020 - July 2022 Tesco initiated a partnership with Loop. Now that the trial's outcomes can be seen, the store wants to pursue this idea of reuse further by advancing cooperation with stakeholders along the value chain.</p>	<p><b><u>Recycle-</u></b> As much as possible, Tesco strives to use recycling-friendly packaging and content in its products. The packaging at Tesco has been redesigned to be more recyclable. Fruit juice labels and bottles should be made from the same plastic so that they can be recycled together. Soft plastic items (such as food wrapping) can be recycled at soft plastic collection points in our stores (Tesco, 2022). Tesco's own-label plastic packaging contains twice as much recycled material since it launched the 4Rs.</p>
---	--

## 5.0 Operational excellence

Tesco has been making significant efforts to ensure that their customers are provided with quality products in reasonable price. They have implemented a sustainable approach, via the 4Rs model, to their supply chain, which includes the reuse, reduce, recycle and repair of resources. This has enabled Tesco to decrease their environmental impact, as well as their costs associated with raw materials. This has resulted in the company being able to provide their customers with quality products, while maintaining a sustainable approach. This approach will be profitable for the company to gain stakeholders in future but the assessment also shows that company needs to implement planning and control activities such as scheduling, loading, sequencing, monitoring and control in the assessment of the online customer's demand especially after COVID. This will be helpful in assessing the positioning of the company in the digital era with the application of online Tesco store.

## 6.0 Conclusions and recommendations

**Barriers-** Tesco needs to implement planning and control activities in the estimation of online customer's demand in order to maximize sale. This is an expensive process as it involves a lot of analysis and research to identify areas where cost savings can be made. Moreover, the company needs to be able to accurately assess the cost implications of any decision it makes. This could include making changes to the existing cost structure, introducing new cost-saving measures, or changing the way in which the company operates.

**Opportunities-** Having an accurate estimation of the online customer's demand is essential for companies to succeed in the digital age. By understanding the customer's needs and

wants, companies can tailor their services and products to meet them, which will lead to increased customer satisfaction and loyalty. This, in turn, will help companies to reach a wider base of customers and generate more revenue.

## 7.0 Reference List

- AbbAmonTE, L., 2019. ADAPTIVELY EVOLVING ECOSYSTEMS: GREEN-SPEAKING AT TESCO. *WORLDS OF WORDS: Complexity, Creativity, and Conventionality in English Language, Literature and Culture*, p.407.
- Arifin, S., Darmawan, D., Hartanto, C.F.B. and Rahman, A., 2022. Human Resources based on Total Quality Management. *Journal of Social Science Studies (JOS3)*, 2(1), pp.17-20.
- Catalão, I.D.P., 2022. *Equity research: Tesco PLC* (Doctoral dissertation, Instituto Superior de Economia e Gestão).
- Lim, W.M., Ciasullo, M.V., Douglas, A. and Kumar, S., 2022. Environmental social governance (ESG) and total quality management (TQM): a multi-study meta-systematic review. *Total Quality Management & Business Excellence*, pp.1-23.
- Mohanty, J., 2022. Sustainable Marketing of Csr Through Employee Volunteering: The Tesco Experience. *Academy of Marketing Studies Journal*, 26(S2).
- Moura, M.B.L.D., 2021. *Equity Research in Food & Retail Industry-TESCO PLC* (Doctoral dissertation, Instituto Superior de Economia e Gestão).
- Mukhopadhyay, S., Ghosh, S. and Maulik, S.R., 2023. Sustainability in Supply Chain Management of Textile and Apparel Industry.
- Pereira, D.F., Oliveira, J.F. and Carravilla, M.A., 2022. Merging make-to-stock/make-to-order decisions into sales and operations planning: A multi-objective approach. *Omega*, 107, p.102561.
- Tesco, P.L.C. 2022. *About, Tesco PLC*. Available at: <https://www.tescopl.com/about/> (Accessed: February 27, 2023).
- Zhang, W., Gao, L., Zolghadr, M., Jian, D. and Hafsi, M.E., 2023. Dynamic incentives for sustainable contract farming. *Production and Operations Management*.