

Tesco confronts budget rivals - Leading retailer reforms to compete against insurgent budget stores

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Abstracts

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SUMMARY

Confronted by the threat of rapidly expanding competition from budget food retailers, Tesco has undertaken reform. The business has been slimmed down, foreign ventures ended and prices lowered to improve competitiveness. However, there are other threats the company must respond to amid declining relevance of the megastore concept on which Tesco built its fortune. Amazon is seeking to supplant Tesco as the leading online grocery store and the merger with Booker, on which the Tesco board has staked much, is under pressure from regulators and shareholders.

KEY HIGHLIGHTS

Tesco has responded the rising threat of Aldi and Lidl by reforming product ranges and reducing costs. The main aim of the company is now to compete directly on cost grounds to prevent further depletion in market share on a long-term basis.

The company is changing how the out-of-town megastore is operated in the face of changing consumer behavior. Along with lower prices, the cost of running that part of the business has been reduced, essential if the company is to avoid further decline in a central part of the business.

Tesco has slimmed down the business in order to concentrate on growing the

core business. Foreign adventures during the past decade have achieved mixed success, but even the most profitable foreign brands have now been sold off to help the company recapture old fortunes.

SCOPE

Examines the impact budget stores have had on UK food retail

Looks at the future of the out-of-town megastores

Analyses the new threats to Tesco

Examines the steps Tesco have taken to compete against budget stores

REASONS TO BUY

What impact has Lidl and Aldi had on the Tesco model?

Can the out-of-town megastore model survive?

Can Tesco compete on price against budget stores?

Will the slimming down of Tesco work?

Contents

Overview

Catalyst

Summary

Insurgent budget stores put Tesco under pressure

Tesco response: Threat from German entrants is serious, not disastrous

Unilever dispute reveals cost pressure Tesco must respond to

Tesco own brand takes on Aldi, Lidl and Asda by price matching

Tesco slimmed down business to stay competitive

Foreign ventures have been sold off to streamline business

Selling in-store services refocuses attention on core market

New brands launched to repel low-cost alternatives from rivals

Tesco needs megastores, but doubt surrounds their long-term future

Shopping habits have changed, placing the idea of the megastore under pressure

Tesco makes big stores cheaper to run to pay for price cuts and remain competitive

Tesco trials Currys PC World brand in megastores to boost profitability and entice footfall

Merging with booker is a risky move, if it happens

Attention from regulators raises uncertainty over multi-billion-pound deal

Some shareholders are not happy with proposed merger, increasing pressure on Tesco board

Amazon Fresh creates new threat to Tesco dominance

Amazon Fresh brings fast delivery and low overheads: Tesco responds

Tesco trials 1-hour delivery service in London, taking on Amazon and rival brands

Conclusions

Tesco has changed much to meet growing budget store threat, but there is no guarantee of success

Appendix

Sources

Further Reading

Ask the analyst

About MarketLine

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List Of Figures

LIST OF FIGURES

Figure 1: Tesco revenue (£bn) 2005-2016

Figure 2: Empty shelves at Tesco during Unilever dispute

Figure 3: UK food prices, Detailed indices of food consumer prices, Jan 2014 – Jan 2017 (Jan 14' = 100)

Figure 4: Fresh & Easy losses (£m)

Figure 5: Giraffe restaurants, formerly owned by Tesco

Figure 6: New 'farm food' brands at Tesco

Figure 7: UK online grocery retail (\$bn) 2011-2016

Figure 8: Booker Group Operating Profit (£bn) 2006-2016

Figure 9: Amazon Fresh

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