

Tesco



Background

Tesco, a Fortune 500 Company, is UK's leading retailer and the world's third largest retailer. Tesco operates over 2300 stores across 13 countries and employs 3,53,000 people. It has four key business units - the core UK Business (Stores), Non-food, Retailing Services and International Business. It had revenues of around US\$ 67.5 billion in 2004.

Tesco in India

Tesco has a sourcing base in India. 90 per cent of India sourcing is accounted for by apparel. Currently South Indian apparel hubs Bangalore and Tirupur account for a large proportion of the sourcing. Over four million vests and T-shirts sold in Tesco stores each year are made in Tirupur, and Tirupur's knitwear alone accounts for 40 per cent of Tesco's Indian imports. The company also imports shorts from Bangalore (about a million pieces a year).

Tesco Plc has set up a shared services centre in

Bangalore, which is the Global Services Arm building competitive advantage for Tesco. The centre provides IT and business services to make the Tesco experience better, simpler and faster for more than 300,000 Tesco employees and 15 million Tesco customers worldwide. The subsidiary - Tesco Hindustan Service Centre currently employs 630 people. Tesco decided to have a wholly owned subsidiary rather than outsource to local Indian companies because it wanted Tesco employees to be handling critical business processes and software development and support.

Tesco Hindustan Service Centre helps the business become more effective and more efficient, allowing Tesco to focus on delivering even more value for its customers and supporting the company's continued growth. This shared services centre is a centre of excellence for the business as it supports the existing technologies and will become the central hub for developing , rolling out and supporting 'Tesco in a





Box'. Tesco-in-a-box combines off-the-shelf packages with custom-built applications, held together by integration services. The centre is also working on a data warehousing tool called Teradata, to integrate services and a number of other technologies.

The Bangalore centre also offers business process services to Tesco operations, particularly in the financial processing area.

India is a low cost sourcing base for Tesco

Tesco leverages the low cost advantage of India for sourcing cheap but quality products. Nearly 90 per cent of India sourcing is accounted for by apparel now. Currently, Tesco sources US\$ 72 million worth of textiles from India annually. Overall sourcing from India is expected to be about US\$ 116.3 million in 2005, up 44 per cent over 2004.

Leveraging India's skilled manpower

For Tesco, one of the India's key strengths is the availability of skilled and educated English speaking manpower at low costs. It is leveraging this strength through Tesco Hindustan Service Centre, which is the shared services centre for Tesco Plc.

Smooth transition ensured success

Tesco has achieved smooth transition and growth in India. It used a measured and planned approach for knowledge transfer to India. Tesco could also find

people who were culturally fit for the company. All this has ensured its success in India.

Future Plans

India is critical to the global strategy of Tesco, especially for support infrastructure. Tesco HSC is already developing from being a start up to a centre of excellence across multiple business areas. It plans to build a premier retail focused shared service centre, and build knowledge capital in retail support. Tesco HSC works with WNS, Xansa, Infosys and Wipro on projects which need specific skill-sets for short durations.

The retail major also plans to make the best use of the dismantling of textile quotas. For that it has ramped up its sourcing base in Bangalore and has allotted a dedicated office to the sourcing wing. Other items which will be increasingly picked up by Tesco include footwear, leather products, stainless steel, wood-based articles and carved artefacts.

Tesco India: At a glance

- Tesco: UK's largest retail chain. Fortune 500 company. Over 2300 stores. 353,000 employees worldwide. Around US\$ 67.5 billion revenues in 2004
- Tesco in India: Sourcing base mainly for Apparel. Wholly owned subsidiary for business process and IT services support
- For Tesco, India is: critical to global strategy for support infrastructure
- Factors for success: smooth transition, culturally fit employees
- Future plans, India: Tesco HSC to become a centre of excellence across multiple business areas. To increase sourcing from India

