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Big Data Case Study: Tesco



Robert Plant, Associate Professor, School of Business Administration, University of Miami
7/17/2013
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Tesco is the world's third-largest retailer in revenue (\$96.8 billion), behind Wal-Mart (\$466.1 billion) and Carrefour (\$112.6 billion). Unlike the other mega retailers, it has the unique distinction of having a technologist as CEO.

A plethora of technical innovation

Philip Clarke became CEO in 2011 after a successful term as its group IT director. With his insights into the technology world, Tesco's IT-centric retail strategy has continued to evolve from its virtual stores in Korea to innovations such as:

- Scan as You Shop, a handheld barcode scanner that links to a Clubcard and helps customers avoid the checkout line altogether
Broccoli Cam, an overhead digital camera identifies empty trays in the vegetable aisle, so workers can refill them
Smart Badges, GPS-sized computers that allow staff members to scan items and answer customer queries on the shop floor
Electronic shelf edge labels, which allow for more efficient changes in pricing labels (Tesco currently alters between 5 million and 10 million shelf labels a week)
In-store kiosks connected to the company website product catalogue

All this innovation has been designed to add to Tesco's multi-channel shopping experience, which in turn is driven by a deep knowledge of each customer through big data.

Tesco has understood the power of data for a long time. It was a pioneer in the development of the Clubcard concept. In 1993, it introduced a card that incorporated a magnetic strip (and later a barcode) to identify the customer personally. This was followed two years later by an investment in Dunnhumby, a data analysis firm and early mover in the data warehousing technology sector. Tesco, then under the helm of Sir Terry Leahy, acquired Dunnhumby in 2010.



His vision of data-driven retail moved

Tesco's market value from £4.7 billion in 1992 to £29.9 billion by 2011. In an interview with Internet Retailing last month, Leahy acknowledged that data helped Tesco move ahead of competitors. Last year, Dunnhumby generated £60.3 million of profits on £146.8 million of sales. It analyses data from more than 400 million consumers worldwide, and it describes itself on its website as "the world's leading Customer Science Company."

Data in the value chain

Tesco use this data-driven ability in all aspects of its value chain, from the supply chain to sales and service. Real-time data updates (such as information from the Broccoli Cam) can be combined with predictive analytics to pass early reorder warnings through the supply chain and logistics networks. Electronic shelf label data can be used to make national pricing changes at a moment's notice (helping Tesco comply with a 2000 Competition Commission agreement).

Big data is also a powerful, effective force in the multi-channel strategy that Tesco sees as central to understanding the future of consumer retail behavior. This strategy addresses the consumer's desire to use physical stores, mobile devices, and desktop computers in combinations. For example, a consumer could use an internet kiosk in the store to order an item for collection in the store the next day. A mobile device could be used to order groceries to be delivered at home. These combinations of retail channels require the company to understand not only the purchasing patterns of individual consumers, but also their channel preferences and logistics requirements.

Adding channels

Another example of Tesco's big data multi-channel strategy is its 80 percent ownership of Blinkbox, a video-on-demand service provider. Blinkbox is tailored for Clubcard holders, who get free ad-supported movie and TV streaming. Michael Comish, Blinkbox's founder and CEO, is Tesco's group digital officer and leads its digital entertainment services group.

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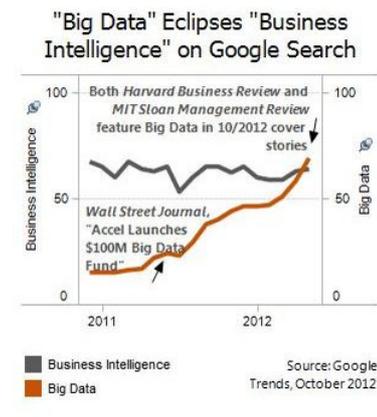
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Tesco has clearly led the way in technology and big data, but its success isn't limited to the ability to collect and analyze data. It sees that the execution of processes envisioned by this data analysis is the key to its success, and that these processes have to be created, innovated, and tried out. They are not off-the-shelf solutions; they are entrepreneurial in nature. Finally, Tesco understands that the data, the systems, and the processes are not static. They need to evolve and morph constantly, with more pieces added to the data collection and customer relationship channels as necessary.

Perhaps the key to understanding its strong positioning in this big data arena lies in a comment made by Mike McNamara, Tesco's CIO, in a [video on its website](#): "We have to look out not just six months ahead but actually six years. It sees the opportunities on technology horizon early, and it positions itself to take maximal effect. Clearly, looking ahead to get ahead is a lesson many firms could follow to deploy a big data strategy as successfully as Tesco."

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 AlphaEdge, User Rank: Exabyte Executive
7/29/2013 | 11:54:20 AM

Re: Adding data streams, not services
This is great to know. A lot of new technologies involved in the business.

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 Robert Plant, User Rank: Blogger
7/24/2013 | 5:51:48 AM

Re: Pricing
yes, exactly. luckily im tracking all data on asparagus in real time to get the last bunch if such an outage occurs, rfid on all locusts would also be interesting an internet of animals, big data swarm warning.

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 Saul Sherry, User Rank: Blogger
7/24/2013 | 5:43:33 AM

Re: Pricing
@Robert, the only problem there is that it's a forecast rise... if, as an example, all of the world's asparagus crops were blighted by locusts over night, we would really see how pricing systems were able to react. Manic sprinting around ASDA with a price gun, one calm cell change in the back office at Tesco.

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 Robert Plant, User Rank: Blogger
7/22/2013 | 6:39:59 AM

Re: Adding data streams, not services
interesting comment Saul, perhaps CDO Data Scientist and innovator-entreprenur will be the path to CEO leadership as we go forward, the days of CFO, legal and maretling driving succession being challenged ?

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 Robert Plant, User Rank: Blogger
7/22/2013 | 6:34:48 AM

Re: Adding data streams, not services
Yes, they have an app for this about to launch, GPS for in store shoppers developed from their home delivery picking system.

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 Robert Plant, User Rank: Blogger
7/22/2013 | 6:32:43 AM

Re: Adding data streams, not services
I like this idea cerhaos the next iphone will have a shopping button next to the in-flight button. Quick lets patent this.

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 Robert Plant, User Rank: Blogger
7/22/2013 | 6:28:54 AM

Re: Pricing
Todays announceent that food prices will rise considerably after the horse meat problem will be an interesting test of their data systems, can they act around the new pricing, consumer demand and shift in consumer purchasing as they experience the new pricing that supports the British farmers as a policy at the company. I expect they will have no problem but it will be interesting to see and compare against the competition as they react accordingly.

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 Robert Plant, User Rank: Blogger
7/22/2013 | 6:25:10 AM

Re: Pricing
Hi DeberaThanks for this great example, interesting that this result was even noticed, make the

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[data driven philosophy more impressive to know that observation, data tracking and awareness are all embedded in the work practices and mindset at the company.RegardsRobert](#)
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 Debera Harward, User Rank: Exabyte Executive
 7/21/2013 | 6:26:46 AM
Re: Pricing
 Robert , its of no doubt that Tesco has used its big data very wisely and it has proved that keeping big data is not just the task but utilizing in the correct form to increase the revenue is the only thing . It has used many innovative techniques to increase the sale by providing total customer satisfaction . I really liked the idea of identifying the empty trays so that workers can fill it out , Once i came to know that Tesco beleives so much in big data that it also tracks all of it refridgerators temperature and unfortunately the temperature was high which it should not be but it was providing sufficient cooling hence after doing timely analysis they come to the conclusion to use same temperature and saved a lot of money as well.

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 Debera Harward, User Rank: Exabyte Executive
 7/21/2013 | 6:24:32 AM
Re: Pricing
 Robert , its of no doubt that Tesco has used its big data very wisely and it has proved that keeping big data is not just the task but utilizing in the orrect form to increase the revenue is the only thing .

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