

## **Business Activity**

Tesco specialises in food and drink as their **core** product and this helps them to concentrate in one major area. This also helps them purchase a large number of products in bulk and therefore gain **huge discounts** as they are benefiting from **economies of scale**.

Tesco sells other types of products apart from breakfast cereals, toiletries and snacks. They do this because over the years they have realised that their customers want to do all their shopping **under 1 roof** rather than in 10 different shops. A few years ago Tesco decided to start selling other type of goods like foreign food, halal food, low G.I, organic and low fat food. Selling different types of products will benefit customers because they will be getting what they have in their normal diet but at cheaper prices. This shows that Tesco responds to the latest trends in the U.K., and thus satisfies everyone.

The reason Tesco sells their products so cheap is because they buy them in bulk and gain low prices. Also selling products at low prices helps to gain **customer loyalty** which has helped the store a great deal, and helped them to gain huge profits.

Tesco's main income is through food and drink but they sell other products as well. This **diversification** has helped the firm to raise £280 billion. Some of the items that are sold are clothes, household goods and electronics etc.

Tesco aim their products at different types of people e.g. Family pack of tomatoes at families and value tins of tomatoes at people on a low income. This makes everyone happy because they are all saving money and have the benefit of a **club card** and the privilege of **online shopping**. Tesco is saving money because they buy in bulk and customers are saving money through low prices.

Another area in which they have diversified is financial services; this is due to Tesco realising this is a market with a high income. Tesco has diversified into financial services such as; wills mortgages, credit cards and insurances.

They carried out extensive **Market research**, which showed that the country is in a **boom**, unemployment was very low, only about one million. This meant spending power in the UK is also high. This would result in people being able to afford credit cards at ease and they would invest in financial services.

I think financial services are a successful diversification, as millions have been made in the last five years, which has given them £280 million in profit.

Tesco already had loyalty, so their customers know they can trust their new services. This makes it easier for Tesco to sell new products and services without paying lots on promotion and marketing schemes.

## What is a PLC?

A Plc or more commonly known as a **public limited company**. It is a business that is owned by the public through **shares**.

This type of company is broken into different parts called shares. These shares are bought by the public and are available to anyone in the public that is over the age of 18. The members of the public that buy the shares are then given the title of a '**shareholder**'. The shareholders receive some part of the profits the business makes called **dividends**; this is a kind of thank you for investing money into the business. The amount of dividends received depends on the quantity of shares bought by the shareholders. Therefore the more shares bought the more money you would receive through dividends.

Factors such as who sell the shares, who buys the shares and how much each share is worth is decided and the buying and selling is done on the **stock exchange**.

The shareholders all have **limited liability**; this means that the shareholders themselves are not responsible for paying back any debts the company has accumulated. So they do not need to go to such an extreme as to sell their own personal belongings to pay back debts, but the money they have invested into the business will be lost.

To set up a PLC you need an '**Article of Association**' and a '**Memorandum of Association**'.

One of the benefits is the fact that the shares are on the stock exchange, so can be sold to the public very easily. Because of being a PLC, they receive a good credit rating; therefore they can receive **loans** if needed in the future. As Tesco have 1000's of investors, the business receives good investment, which can be used for **diversification** or expansion in the business. Finally, as a result of limited liability, shareholders are financially secure and can not be held responsible for debts.

The disadvantages include the fact that the minimum share capital is £50 000, so it is not really that easy to buy a share in Tesco. The ownership can be changed quickly, as other companies can achieve takeover bids. Another downside is the fact that the company's annual accounts have to be published for public inspection. The final drawback is the difficulty faced when starting a PLC; it is rather complicated, as there is lots of paperwork to sort out. Also there are many expenses to cover when starting a Public limited company.

Tesco has published their profits and showed how they have gone up, from £1.7 billion to £2.2 billion; Tesco also has the highest **market share** which shows they have the most shareholders when compared with other leading supermarkets, this shows how they have invested their shareholders money wisely.