

Communication and ICT Case Study : Tesco

Tesco and ICT

ICT is vital to Tesco. Every aspect of their operation is controlled or monitored by ICT – stock, distribution, payroll, communication methods, and so on. ICT is essential to the running of a modern store. It is used for planning, monitoring, auditing and communicating between store operations.

For example, when an item has its barcode read at the checkout, the system not only logs the price onto the till, but also logs the financial transaction between Tesco and the customer and the fact that the stock has been reduced by one item. On the distribution side, instructions from the mainframe computer are sent directly to forklift truck operators at depots by radio links. This shows the integration of departments by using ICT.

All stores are connected to the mainframe at Head Office via the Tesco Network. There are a large number of different applications that stores use both independently and via the mainframe connection. For example, there are Personnel and Scheduling systems in store, and access to electronic mail via the mainframe.

ICT in Communication

Tesco need to communicate with a range of individuals and organisations. Including their customers, their competitors and their suppliers. Good communication in Tesco is essential if it is going to achieve its objectives and to operate effectively. Tesco have a lot of channels of communication internally/externally between their functional areas. Tesco rely on the emphasis of ICT to communicate with people. ICT has had a dramatic effect on the way communication takes place.

Communication is vital to Tesco because then everyone is clear about objectives, there is smooth and accurate communication both within the organisation (internal) and between the organisation and other individuals (external), ideas and views are clearly heard and everyone in the organisation is kept informed of developments and changes. Tesco uses letters, reports, fax, phone, e-mail, and memos to communicate with people.

Internal and External Communication

Internal communication is communication that takes place within an organisation, while external communication takes place between the organisation and the outside world. Both communications have been transformed by rapid developments in ICT. Tesco have a linked internal communication system – an internal network, links with customers – a system for e-commerce and links with other businesses – e-business. Together these

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links create the networked economy, which vastly increases the potential of business to connect with employees, customers, other businesses, shareholders.

Internal use of ICT in Tesco

Tesco use Electronic Mail a lot to communicate with its functional departments and the members of The Board. Meetings between directors and managers of each functional department are held frequently to discuss the businesses objectives and functional targets. Teleconferencing allows people in different physical locations to exchange ideas and information interactively using either the telephone or e-mail. This means that Tesco can carry out meetings with a number of superstore by using ICT to communicate with them. They use these communication methods often to discuss important business issues.

Tesco also use memos and letters to communicate with each functional area. Telephone and mobile phones are used frequently for exchanging ideas and views. Tesco also use Electronic Data Interchange (EDI), this allows users to exchange business documents and information such as orders and invoices directly through the telephone network and electric communication systems.

Tesco have an organisational database for internal communication so those members of staff can quickly access records and information about their clubcard customers. Tesco are very dependent on running an effective database. That's why Tesco has become to dominate in the retailing field more elaborate and advanced than those of major rivals. Tesco recognize that if they have the best ICT systems to communicate internally and that these are applied appropriately to their communication needs, they are strongly place to gain competitive advantage.

The most dramatic increase in the use of electronic communication and media for the purpose of internal and external communication is the creation of Internet websites. Tesco as an Internet website they use for all forms of communication within the business and outside the business. The Internet allows Tesco to carry out tasks such as payrolls, business done, product scheduling and goods ordering, this speeds up the work done before.

External use of ICT in Tesco

Tesco need to communicate with a range of stakeholders, including shareholders, customers, government officials, suppliers and the community. A range of different external communications media is employed to communicate with these groups of people.

Investors and shareholders are kept up to date with Tesco's by a number of communication methods. Company reports and documentation are sent by post and notified of any meetings taking place, which involves their presence. But ICT allows the shareholders and investors all the news they want to know about the share price, meetings and companies progress, by logging onto Tesco corporate website. Which allows them to

look up any thing they want to know about the company. It also shows them the financial information, sales records, and directors reports. This is a much quicker way of finding out the information than by posting the information. But the problem might be that the shareholders could have faults on their computers, might not be logged on to the Internet or they might not have a computer to check up the information. But they are kept updated by the most frequently used form of external verbal communication, which is the telephone or mobile phones. They are contacted by this communication nearly everyday by the directors or managers. The shareholders also can be in direct contact with the directors or managers by the use of e-mail. They have all the e-mail addresses of the directors or managers to find out more detailed information.

In the UK some 90% of households have access to Tesco home shopping and it's already the worlds number one on-line grocer. There cooperate website allows there customers to register online and shop for goods. It also allows them to check out special offers and find out information about the company. The website allows customers to e-mail the customer service department about enquires, information and what the customers want. They try there best to reply back to their e-mails, but they get hundreds a day and cannot reply back to all of them. Customers also can communicate with the customer service by phoning them for enquires, but the lines are always busy. Tesco writes to its clubcard customers informing them of any special offers and information. Tesco have a very good communication link with their customer which helps them to meet the changing needs of their customers and meet their objectives.

Tesco uses Electronic Mail the most frequent way of communicating with their suppliers. This allows them to order for goods by using the Internet and the goods are arrived quicker. They also communicate with the Government to show statistics about the company and PR materials. For this they have used video conferencing which makes possible meetings with people who are geographically separated. Cooperate videotapes and CDs have become increasingly popular, providing a variety of interested parties with visual information about Tesco's activities.

Communication (ICT) and the achievement of business objectives

Tesco have created excellent communications channels within the business and outside the business which enables them achieve its business objectives effectively. This makes sense in meeting a range of Tesco objectives for example building strong relationships with customer, becoming the leading market leaders, developing a reputation and to maximize sales and revenues.

Tesco are continually communicating with different groups of people, these communication performs a number of functions:

- ◆ A public relations function – to present a good image of the company.
- ◆ An information function – to provide various groupings with essential information about the company.

- ◆ A day to day trading function – to transact the business’s daily commercial relationships.

The impact of ICT

In the first decade of the twenty-first century, in Tesco ICT has totally transformed the ways of communicating within and outside the business:

- ◆ The use of e-mail to replace many communications that were previously carried out to give information to shareholders and directors by letters, faxes and phones calls.
- ◆ The use of networked database to replace Tesco’s traditional systems of filing and storing information.
- ◆ The use of computers to replace a range of standardized operations involving the interface between Tesco and its customers. For example registering an order, requesting items from stores, maintaining stock levels, ect.
- ◆ The use of an internet website to create a communication link between Tesco and its global market.
- ◆ The use of digital methods for much faster communications, involving a range of visual, sound, and other forms of communications.

Tesco based on business processes put a high premium on information and on sharing ICT facilities. ICT has a very important role to play for Tesco achieving its business objectives. Groups working together in a team will need to share information, and computer terminals of different specialists are linked, so that information is available to all.

ICT systems and their applications influence the ways in which Tesco operate and compete at all levels of decision making. ICT is essential to the running of a modern superstore. It is used for planning, monitoring, communicating and auditing store operations. In fact, the logistics of running a major store would be severely hampered without ICT, and the expansion to superstores and Hypermarkets would have been difficult without modern ICT developments. Tesco stores vary greatly in size from small Express stores to giant Hypermarkets. The product range depends on the size of the store, and varies from 2,000 lines in a small store up to about 40,000 lines in the biggest. Computerised Store Merchandising and Planning systems ensure that Tesco get the right amount of space on each shelf within a store. This allows them to get optimum sales for the space allocated to the product, and give the customer the most appropriate range of products. The benefits of ICT to Tesco are that its improved communications, customer service, productivity and can monitor sales analysis and the effectiveness of promotions.

But there can be a few problems with the use of ICT in Tesco. Faults of computers can slow down the processing systems, fraud can take place and the cost of ICT is very expensive. But Tesco has the latest ICT equipment and is not getting any major problems. There ICT system gives them the best support to meet its objectives, last year, Tesco spent about £133 million on ICT, that is about 1.4% of their turnover, this clearly

shows that ICT is a great success for the company and is fit for its purpose. ICT is value for money and very effective in helping Tesco achieve its business objectives.