

[BUSINESS ★★★] TESCO'S DOWNFALL IS A WARNING TO DATA-DRIVEN RETAILERS

(P1) Tesco's chairman has resigned in disgrace. The company's market value has more than halved to an 11-year low as it acknowledged overstating profits by hundreds of millions of dollars. And a humbled Warren Buffett, after opportunistically raising his stake in the company after a surprise profit warning, confessed to CNBC: "I made a mistake on Tesco. That was a huge mistake by me."

(P2) Indeed. Britain's biggest supermarket chain has not only seen its fortunes erode but its reputation for competitiveness, creativity and integrity collapse. Even before its accounting travails, a former chairman had sharply criticized former CEO Sir Terry Leahy, who had led Tesco to market dominance and worldwide admiration, for leaving a shambles of a legacy. Leahy's immediate successor resigned in July; his successor from Unilever now confronts more of a turnaround than he had ever expected.

What the heck happened to Tesco?

(P3) Many analysts and unhappy investors point to Tesco's ill-fated Fresh & Easy convenience store foray in America just as the global financial crisis kicked in. The failed expansion effort ultimately led to write-downs topping \$3 billion. At the same time, dramatically increased price competition by discounters such as Aldi severely undercut Tesco's "every little helps" value proposition. The company still declines to say whether its systemic supplier-related accounting misstatements better reflect malpractice or malfeasance. Regardless, Tesco's collective failures feel operational, organizational and cultural. This isn't simply bad luck.

(P4) But beyond the business clichés of "big bets gone bad" and "not keeping one's eye on the ball" is the disconcerting fact that the core competencies that made Tesco a marketing juggernaut and analytics icon appear almost irrelevant to its unhappy narrative of erosion and decay. More than any other retailer of scale, Tesco had committed to customer research, analytics, and loyalty as its marketing and operational edge. For example, the supermarket ingeniously succeeded at Internet-enabled grocery shopping in ways that Webvan—remember them?—could not. Tesco was digital before digital was cool. Tesco's Clubcard loyalty program was launched under Leahy in 1995 and redefined both the company and the industry. As the Telegraph recently observed, "Tesco was transformed into the market leader in the UK—with more than 30pc market share—by being able to respond to the demands of its customers."

(P5) American supermarkets—notably Kroger—admired and sought to emulate Tesco's success. Even Walmart—overwhelmingly focused on optimizing its everyday low-pricing supply chain logistics—took Tesco's command of customer analytics seriously. Practically every retail Big Data and analytics case study over the past decade explicitly referenced Tesco as "best practice." With the notable exception of, say, an Amazon, no global store chain was thought to have demonstrably keener data-driven insight into customer loyalty and behavior.

(P6) But the harsh numbers suggest that all this data, all this analytics, all the assiduous segmentation, customization and promotion have done little for Tesco's domestic competitiveness since Leahy's celebrated departure. As the Telegraph story further observed, "...judging by correspondence from Telegraph readers and disillusioned shoppers, one of the reasons that consumers are turning to [discounters] Aldi and Lidl is that they feel they are simple and free of gimmicks. Shoppers are questioning whether loyalty cards, such as Clubcard, are more helpful to the supermarket than they are to the shopper."

(P7) How damning; how daunting; how disturbing for any and every serious data-driven enterprise and marketer. If true, Tesco's decline present a clear and unambiguous warning that even rich and data-rich loyalty programs and analytics capabilities can't stave off the competitive advantage of slightly lower prices and a simpler shopping experience. Better insights, loyalty and promotion may not be worthless, but they are demonstrably worth less in this retail environment.

(P8) A harsher alternative interpretation is that, despite its depth of data and experience, today's Tesco simply lacks the innovation and insight **chops** to craft promotions, campaigns and offers that allow it to even preserve share, let alone grow it. What an **indictment** of Tesco's people, processes and customer programs that would be. In less than a decade, the driver and determinant of Tesco's success has **devolved** into an analytic **albatross**. Knowledge goes from power to **impotence**.

(P9) There's nothing new or unusual in a one-time business strength turning into an organizational weakness or an industrial irrelevance. But when we're talking about customer data, insight, loyalty and all the **ingredients** that—supposedly—go into giving digital enterprises their information edge, then it's time to get nervous and ask hard questions.

(P10) Is Tesco's fall from grace a typical tale of **shambolic succession** and enterprise **lassitude** as times turned tougher? Or is it a market signal that Big Data, predictive analytics, and customer insight aren't the sustainable competitive weaponry they're **cracked up** to be? The **schadenfreude** gang may be counting on the former; but **datanauts** who referenced Tesco to sell their bosses on analytic investments would be wise to consider the latter possibility. Or is it probability?

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DISCUSSION QUESTIONS

If you found the passage difficult to read or had problems understanding specific words or idiomatic expressions, please discuss them with your tutor. The following discussion questions should be answered in your own words and with your own arguments.

1. Briefly summarize the content of the article in your own words.
 2. What was Tesco known for (P5)? What aspect of Tesco did American supermarkets try to emulate?
 3. What is the main cause of Tesco's lassitude (P3)? What was wrong with Fresh & Easy?
 4. Explain the author's conclusion in your own words (P7-9). What is the author suggesting? Do you agree with his argument? Why or why not?
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WHAT / WHO / WHERE ARE THEY?

Tesco

(Company) a multinational grocery and general merchandise retailer headquartered in Cheshunt, Hertfordshire, England, United Kingdom. After Walmart, it is the second-largest retailer in the world measured by profits and second-largest retailer in the world measured by revenues. It has stores in 12 countries across Asia, Europe and North America and is the grocery market leader in the UK (where it has a market share of around 30%), the Republic of Ireland, Malaysia, and Thailand.

Warren Buffett

(Person) an American business magnate, investor and philanthropist. He was the most successful investor of the 20th century. Buffett is the chairman, CEO and largest shareholder of Berkshire Hathaway, and consistently ranked among the world's wealthiest people. He was ranked as the world's wealthiest person in 2008^[5] and as the third wealthiest in 2011. In 2012 Time named Buffett one of the world's most influential people.

Sir Terry Leahy

(Person) an English businessman, previously the CEO of Tesco, the largest British retailer and the third-largest retailer in the world measured by revenues.

Unilever

(Company) an Anglo–Dutch multinational consumer goods company co-headquartered in London, England and Rotterdam, The Netherlands. Its products include food, beverages, cleaning agents and personal care products. It is the world's third-largest consumer goods company measured by 2012 revenue, after Procter & Gamble and Nestlé. One of the oldest multinational companies, its products are available in around 190 countries.

Fresh & Easy

(Company) a chain of grocery stores in the western United States, headquartered in El Segundo, California. Since November 2013 it is owned by Yucaipa Companies. It was a subsidiary of Tesco, the world's third largest retailer, based in the United Kingdom. It had plans for rapid growth – the first stores opened in November 2007 and, after a pause in the second quarter of 2008, the opening program recommenced. While there were over 200 stores in Arizona, California, and Nevada by December 2012, Tesco confirmed in April 2013 that it was pulling out of the US market, at a reported cost of £1.2 billion.^[4] On September 10, 2013, Tesco announced they were transferring ownership and operations of more than 150 stores to supermarket-owner Ron Burkle's Yucaipa Companies group.

Aldi

(Company) a leading global discount supermarket chain with over 9,000 stores in over 18 countries, and an estimated turnover of more than €50bn. Based in Germany, the chain was founded by brothers Karl and Theo Albrecht in 1946 when they took over their mother's store in Essen which had been in operation since 1913; it is one of the world's largest privately owned companies.

Webvan

(Company) an online "credit and delivery"[clarification needed] grocery business that went bankrupt in 2001. It was headquartered in Foster City, California, USA, in Silicon Valley. It delivered products to customers' homes within a 30-minute window of their choosing. At its peak, it offered service in ten US markets: San Francisco Bay Area, Dallas, San Diego, Los Angeles, Chicago, Seattle, Portland, Atlanta, Sacramento, and Orange County. The company had hoped to expand to 26 cities.[]

Clubcard

(Company) Tesco Clubcard is the loyalty card of leading British supermarket chain Tesco. The Clubcard scheme operates in the UK, Ireland, Hungary, Poland and several other countries, and in the UK market in particular has been highly successful, with over 15 million members as of 2010.

Telegraph Media Group

(Company) The Telegraph Media Group (previously the Telegraph Group) is the proprietor of The Daily Telegraph and The Sunday Telegraph. It is a subsidiary of Press Holdings. David and Frederick Barclay acquired the group in July 2004, after months of intense bidding and lawsuits, from Hollinger Inc. of Toronto, Ontario, Canada, the newspaper group controlled by the Canadian-born British businessman Conrad Black.

Kroger

(Company) an American retailer founded by Bernard Kroger in 1883 in Cincinnati, Ohio. By revenue, it is the country's largest supermarket chain, second-largest general retailer (after Walmart), and twenty-third largest company. Kroger is also the fifth largest retailer in the world.

Lidl

(Company) Lidl Stiftung & Co. KG (/ˈlɪdəl/ li-dəl or local /ˈliːdl/ lee-dəl; formally Schwarz Unternehmens Treuhand KG) is a German global discount supermarket chain, based in Neckarsulm, Baden-Württemberg, Germany, that operates over 10,000 stores across Europe. It belongs to the holding company Schwarz Gruppe, which also owns the store chains Handelshof and hypermarket Kaufland.

VOCABULARY

Resign	(v) 사직하다, 물러나다
In disgrace	(expression) 불명예스럽게
Market value	(n/finance) 시장 가치; (1) The price at which a security is trading and could presumably be purchased or sold. (2) What investors believe a firm is worth; calculated by multiplying the number of shares outstanding by the current market price of a firm's shares.
Acknowledge	(v) (사실로) 인정하다
Overstate	(v) (실제보다 더 중요한 것처럼) 과장하다
Humbled	(adj) 겸손해지다
Raise stake in [smth]	(expression) to increase in importance or danger Employees who lost all their pensions have raised the stakes for the company by going to court and filing a lawsuit.
Fortunes	(n) 재산, 부; 거금
Erode	(v) (서서히) 약화시키다; 약화되다 (비,바람이 침식시키듯)
Reputation	(n) 평판, 명성
Travail	(n) 고생, 고역
Shamble	(v) 어기적거리다
Legacy	(n) (죽은 사람이 남긴) 유산; anything handed down from the past, as from an ancestor or predecessor: <i>the legacy of ancient Rome</i> .
Confront	(b) (문제나 곤란한 상황에) 맞서다
Turnaround	(v/n) (경기·경제 등이[을]) 호전되다[호전시키다]
Foray	(n) (다른 활동·직종에 들어가려는) 시도
Undercut	(v) ...보다 저가로 팔다; 약화시키다
Every little helps	(expression) 동전 한 닢도 도움이 된다
Malpractice	(n) (전문 직종에서의) 위법 행위, (의사의) 의료 과실
Malfeasance	(n) 불법 행위 ((특히 공무원의))
Cliché	(n) 진부한 표현; 클리셰
Big bets gone bad	(expression) Philippe Jorion의 Big Bets Gone Bad: Derivatives and Bankruptcy in Orange County. The Largest Municipal Failure in U.S. History 의 책에서 나온 표현.
Keep one's eye on the ball	(expression) Fig. to watch or follow the ball carefully, especially when one is playing a ball game; to follow the details of a ball game very carefully.
Disconcerting	(adj) 당황케 하는
Juggernaut	(n) (often lowercase) any large, overpowering, destructive force or object, as war, a giant battleship, or a powerful football team.; 신의 제8 화신인 크리슈나 신상에서 비롯된 표현
Erosion	(n) 부식; 침식
Decay	(n) 부패, 부식
Committed to	(adj) ~에 전념하는
Ingeniously	(adv) 재치 있게 ; 교묘하게.
Notably	(adv) 특히

Admire	(v) 존경하다, 칭찬하다
Command	(n) 지휘, 통솔
Demonstrably	(adv) 논증할 수 있도록; 명백히, 논증에 의하여
Keen	(adj) 날카로운, 예리한(sharp)
Assiduous	(adj) 근면 성실한
Segmentation	(n) 분할; 분할된 부분
Disillusioned	(adj) 환상을 깨뜨리는; to free from or deprive of illusion, belief, idealism, etc.; disenchant.
Turn to	(expression) (도움·조언 등을 위해) ~에 의지하다
Discounter	(n) (흔히 한정된 물품을 대규모로 파는) 할인점
Gimmick	(n) (관심을 끌기 위한) 술책
Daunting	(adj) 벅찬, 주눅이 들게 하는
Unambiguous	(adj) (뜻이) 모호하지 않은
Stave off	(expression) 비키다, 피하다, 간신히 모면하다
Chops	(expression) chops는 재즈에서 skill sets를 의미 (she's got some acting chops)
Indictment	(n) (제도·사회 등의) 폐단의 흔적 2. 고발장, 기소장
Devolve	(v) to cause to roll downward. 원래는 “<권리·의무·직분을> 양도하다, 맡기다, 지우다 ((on, upon))”의 의미로 더 많이 쓰임
Albatross	(n) something burdensome that impedes action or progress.; 알바트로스 새, 신천옹
Impotence	(n) 무력, 무기력, 허약, 노쇠
Ingredient	(n) (특히 요리 등의) 재료 2. (…을 이루는 데 중요한) 구성 요소
Shambolic	(adj) 난장판인, 엉망인
Succession	(n) 승계, 계승; 승계권
Lassitude	(n) 노곤함; 무기력
Crack up	(expression) 마구 웃기 시작하다
Schadenfreude	(expression) 남의 불행에 대해 갖는 쾌감satisfaction or pleasure felt at someone else's misfortune.
Datanaut	(expression) a juggernaut in Data (made-up word)