



GCSE

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MONDAY, 13 JUNE 2022 – AFTERNOON

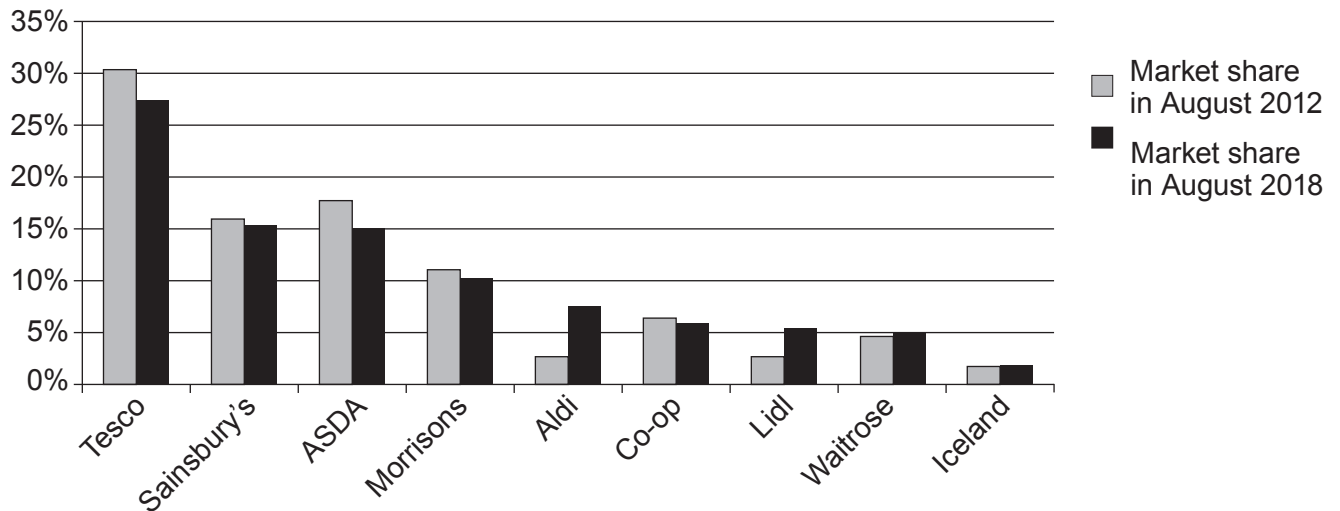
BUSINESS

Unit 2: Business Perceptions

Resource Material

1. The UK supermarket industry was worth £192.6 billion in 2018. The change in market share of each of the retailers in the supermarket industry from 2012 to 2018 is shown below:

Figure 1: UK market share of selected supermarkets in 2012 and 2018



Source: Statista

Tesco, a public limited company, is the UK's largest supermarket and retailer. Tesco has over 6500 UK stores, employing approximately 476 000 people. In 2018, Tesco generated nearly three times as much revenue as Amazon did in the UK. Despite this, Tesco has come under increasing pressure from its shareholders to improve its performance. Below is a summary of the profit and loss statements for Tesco in 2018 and 2017.

Figure 2: Extract from Tesco's profit and loss statement

	2018 (£billion)	2017 (£billion)
Sales revenue	57.620	55.917
Cost of sales	?	52.899
Gross profit	3.528	3.018
Total expenses	2.385	?
Net profit	1.143	1.280

Source: Adapted from Tesco.com

In 2018, Tesco made major decisions in its strategy to compete in a dynamic and competitive marketplace. One of its decisions was to grow externally by completing a £4 billion takeover of Booker (the UK's largest wholesaler).

As well as the Booker takeover, Tesco is also growing internally. Tesco already has a range of different shopping options for customers such as its Extra stores, Superstores, Metro stores and Express stores which vary by size, product range and closeness to customers.

In response to the growth of Aldi and Lidl, Tesco has unveiled a new discount chain, called Jack's (named after the Tesco founder Jack Cohen) and 7 stores opened in 2018. Tesco is looking to open more Jack's in the near future, with at least half of these being located at former Tesco store sites, which had been previously closed.

Tesco has been planning the Jack's brand for 3 years and invested around £25m to open the first 7 stores and will continue to reinvest profits to open the remaining stores.



Jack's will sell 2600 products and most of these will be own brand products, manufactured in the UK. However, Jack's will continue to sell some branded products such as Coca-Cola, Heinz, Kingsmill and Walkers Crisps.

Figure 3: Selected supermarket products and prices

Product	Jack's	Tesco Own Brand	Aldi	Lidl	Leading brand in Tesco
Pizza (Margherita)	£1.69	£3.60	£1.69	£1.99	£5.00 (Pizza Express)
Toilet Rolls (9 pack)	£2.09	£3.35	£2.09	£2.09	£5.25 (Andrex)
Sunflower oil Spread	70p	95p	75p	75p	£1.80 (Flora)
Ketchup	45p	65p	45p	45p	£2.50 (Heinz)
Orange Juice	95p	£1.15	55p	89p	£2.48 (Tropicana)
Washing up Liquid	60p	70p	45p	65p	£1.50 (Fairy)
White Bread 800g	49p	55p	36p	40p	£1.10 (Kingsmill)

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