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IMMEDIATE RELEASE

Lean Provision Is Tesco's Secret Weapon in Battle with Wal-Mart

Cambridge, Mass., June 7 -- Tesco PLC's loyalty card program, described yesterday in a page-one story in *The Wall Street Journal*, helps the British retailer fend off Wal-Mart, but the key to the card program's success is Tesco's lean provision system that efficiently delivers exactly what customers really want, exactly when they want it, and exactly where they want it.

"Tesco in Britain is a pioneer in lean provision," said James Womack, co-author with Daniel Jones of *Lean Solutions: How Companies and Customers Can Create Value and Wealth Together* (Free Press; October, 2005; hardcover).

The British retailer's lean provision system allows it to respond rapidly to the wealth of data collected from its 12 million Clubcard users that give discounts to frequent shoppers, explained Womack.

Tesco's lean provision system combines point-of-sale data, cross-dock distribution centers, and frequent deliveries to many stores along "milk-runs" to stock the right items in a range of retail formats. These include Tesco Express convenience stores at gas stations and busy intersections; Tesco Metro (small supermarkets in cities); traditional Tesco supermarkets in cities and suburbs; Tesco Extra ("big box" superstores in suburbs); and Tesco.com for web shoppers.

"The range of retail formats, plus detailed knowledge about specific consumers and rapid replenishment of each store, will progressively permit Tesco to offer each household convenient variety at lower total cost," Womack explained, founder and chairman of the nonprofit Lean Enterprise Institute (LEI).

He said the strategy has worked "brilliantly," permitting Tesco to establish the lowest cost position among British retailers (including Wal-Mart's Asda chain) while posting progressively higher margins and steadily increasing its share in every format.

Tesco's has 31% of the U.K. market share, nearly double the 16% held by Asda, according to the *Journal* story. Last month, Wal-Mart abandoned an eight-year effort in South Korea by selling its 16 stores there to a local competitor. Tesco, which plans to open a chain of small stores on the U.S. West Coast next year, has 39 Korean stores.

To learn more about lean provision and lean consumption applications in manufacturing, retail, healthcare, air travel, and other industries, have a conversation with James Womack. Contact Chet Marchwinski at the Lean Enterprise Institute: cmarchwinski@lean.org or (617) 871-2930.

About the Lean Enterprise Institute

The Lean Enterprise Institute (LEI) is a 501(c)(3) nonprofit training, publishing, and research center founded by James P. Womack PhD, in August 1997 to give people simple but powerful

tools that enable them to apply a set of ideas known as lean production and lean thinking, based initially on the Toyota Production System and extended to an entire Lean Business System. The institute's global mission is to be the leading educator for maximizing value and minimizing waste. To accomplish this goal, LEI develops and advances lean principles, tools, and techniques designed to enable positive change. LEI disseminates this knowledge with the lean community through books and workbooks, public and on-site training, its web site, and global affiliates. For more information visit the LEI News page at <http://www.lean.org/WhoWeAre/LEINews.cfm>.