

**F**ew recent developments have created as much of a stir as the news that Tesco — the U.K.'s top retailer — will soon open about 100 small-format grocery stores in the American West.

Building the tension is Tesco's top-secret, Apple-esque launch, which has kept the tightest of lids on exactly what these Tesco stores — known as Fresh & Easy Neighborhood Market — will be like.

That much of what Tesco has in store for America's grocery shoppers is shrouded in secrecy becomes apparent within the first few moments of conversation with Fresh & Easy's CMO, Simon Uwins:

**You'll be opening in the fall?** *Yes, last quarter of this year. We'll open in Los Angeles, San Diego, Phoenix and Las Vegas.* **Will all 100 stores open at once?** *Ah, you'll have to see.* **Will there be a loyalty card program?** *Again, you'll have to wait and see. At this stage I wouldn't want to talk about such things.*

Fortunately, Simon was far more forthcoming on a wide range of other subjects. Indeed, he spoke rather openly about *why* he thinks Tesco will deliver a more satisfying shopping experience, even if he didn't always explain exactly *how*.

A 23-year veteran of the Tesco organization, Simon Uwins arrived on America's West Coast about two years ago without a format or a plan — just a simple brief to find out if there was an opportunity here for Tesco.

He says there is: "We think we came up with a way of entering the market, which is by doing something different, rather than just doing what everybody else does. We decided to do Fresh & Easy Neighborhood Market."




“The outside of the store itself is like a brand statement,” says **Fresh & Easy** CMO **Simon Uwins**.

“The same is true inside the stores.”

# Fresh as Tesco

## What makes Fresh & Easy different?



When we talked to people, and went into their households, we heard a fairly consistent message. That message was that what people wanted was fresh, affordable food—wholesome food—but they wanted it close to home. We reckon we figured out a way to deliver that to them.

But because there's nothing really like that in the marketplace, the only way that we could see if we had gotten it right, if what we had developed was meeting what customers had said they wanted, was to build a prototype store in a warehouse and let people try it out.

## Were there any specific things you learned from that?

Not specifically from the warehouse experience. What surprised us about the American marketplace was how many different stores people had to shop to satisfy their basic household needs. It's fairly unique, and it contrasted with other markets where we've had experience.

## Is the idea to try to change that kind of shopping behavior?

The idea is just to give people a chance to get what they want from a single shopping trip, nearby. One of the things it will do is stop them from having to visit so many stores to get what they want. So, yes, it is about changing their behavior a bit.

## What exactly does it mean to be a neighborhood market?

On one level, it simply means being close to people's homes. But it's also a bit more than that. It also means being a place where people are recognized. It's a friendly place. You see people from your local

neighborhood and feel comfortable there. Hopefully, we'll be recruiting people to work at the stores from around the local neighborhood. It really is a store for the neighborhood, and run by the neighborhood.

The other side of it is that when you operate in neighborhoods, people actually expect you to be a good neighbor! We will be considerate to the people who live nearby. For example, we won't schedule deliveries overnight to ensure that noise won't disrupt their sleep. We'll also be careful about how we route the trucks in so they don't go past schools at busy times and such like. So, we'll be part of the neighborhood and considerate of the neighborhood.

## One of those neighborhoods is South Central L.A.

Yes. We very much believe that everyone is welcome at Fresh & Easy. That's a basic belief of our business—that we should love everybody. When we did all of our customer insight research, we took a whole cross-section of different types of households, age, influence levels, ethnicity, and so forth.

If you're going to be a neighborhood market, and make it affordable and accessible for everybody, then you go into all different types of neighborhoods. That includes areas that have traditionally been underserved by modern grocery stores.

## Does the ethnicity of those neighborhoods affect how you organize the stores?

In addition to recruiting from the local area, we wanted to be certain that we really understood, in detail, the regular products that various households needed to buy. So, we did a whole study, for example—going into people's homes, going shopping with them, poking around their pantries—with just Hispanic households. Out of that we added about 250 products to our product range just to make sure that Hispanics could get all of their regular shopping done with us.

### Were you involved with that personally?

Yes. I've been into countless homes over the last couple of years. I'm a great fan of what you would generally call ethnographic research. I think it gives you far more insight than just doing the more traditional sort of focus-group approach. In the end, it manages to combine two things—what people say, and then looking around in their pantries and refrigerators you actually see what they are really buying. That allows you to have a much deeper conversation with them.

### Part of that conversation is about high quality at good prices.

Right, and that is a really tough balance to achieve. The way we've tackled it is by keeping things simple. That's something we've got an absolute passion for. One of the major things that enables us to do that is that our product range, our SKU counts, will only be in the range of 3,000 to 3,500 products. What that means is that the volume-per-product is much higher, which helps us reduce costs through the supply chain, which in turn we can invest in a lower price. So we get into a virtuous circle.

### But that also means offering less choice.

That's an interesting question—and we'll find out whether we've gotten it right or not. We heard an awful lot of people first bemoaning that they had to go to lots of different stores to get what they needed, and then questioning why there are so many similar products on the shelf.

So, what we've tried to do is be an “editor” for them. Based on the original research that we did when we took people around our prototype store—and we've been doing it subsequently as well—is that people are amazed by how much choice you can actually have even with far fewer SKUs.

Certainly, over the years, I can think of several examples where we rationalized choices and the sales have gone up rather than down.

The way we've tried to edit is to make sure you can satisfy all of your regular household needs—including your favorite brands—by editing out the proliferation of similar products and also a lot of the different size variations.

## Tesco's Clubcard

A loyalty card program—Tesco Clubcard—is at the heart of Tesco's success. Basically, Tesco is using “its knowledge of shoppers to fight Wal-Mart's core appeal: low prices.”

For example, Tesco's Clubcard data “showed that new fathers tend to buy more beer because they are home with the baby and can't go to the pub.” So, now, shoppers buying “diapers for the first time at a Tesco store can expect to receive coupons by mail for baby wipes, toys—and beer.”

Clubcard data meanwhile showed Kimberly-Clark that buyers of its Aloe-infused Andrex toilet paper were “also big buyers of skin-care products. Kimberly-Clark then sent direct mail to 500,000 customers, offering them free beauty treatments if they could show that they bought the toilet paper twice.” Redemption rates on such promotions are pretty amazing, too.

“While the industry adage says that only one percent or two percent of all coupons ever get redeemed, about 15 percent to 20 percent of all Tesco coupons are redeemed.”

In part, this is simply because the coupons are so well targeted. “They definitely know your shopping habits,” says Karen Masek, a Tesco Clubcard holder. “They've never sent me anything totally off the mark.” It's also because points earned can be redeemed not only for groceries but also things like frequent flier miles.

“I always open the mail from Tesco,” says Adele Fiala of London, who flew to Spain using Tesco points. “Tesco doesn't disclose its investment in Clubcard, but spokesman Jonathan Church says ‘it is worth every penny.’”

(SOURCE: Cecilie Rohwedder, *The Wall Street Journal*, 6/6/06)

### **Do you consider the store itself to be a medium of marketing?**

Yes, very much so. We think of each of our stores as being like a billboard site. The outside of the store itself is a brand statement. It's a medium in its own right and should work as hard for you as it can. The same is true inside the stores. Far more than anything else, what people will think of you as a brand will be determined by their experience of being inside your stores.

Just as with people, you get a majority of a retailer's signals from its body language. When people are inside the store, they can read your body language as a business. It's very important that the inside of your store very much reflects the kind of business you're trying to be.

### **Would that preclude having more tactical media inside the store?**

There's a very big disconnect between the direction that media seems to be heading and what we hear people talking about in our research in America. On the one hand, we're hearing more and more from the media industry about creating new types of media, including putting more and more media into stores at the point-of-sale.

And yet when you talk to people, all you hear is people bemoaning all the clutter and all of the overload that they're having to experience from the media. It's just going in two completely different directions. So I think it's quite an interesting problem that the industry has.

### **Is traditional media as important as it used to be?**

I find it amazing how fragmented media is in America in comparison to what I've been used to in the U.K. Marketers are creating more and more different types of media to try to reach people. And yet when you talk to people, they are getting increasingly fed up with being bombarded by all these media. And that's where the fundamental disconnect is.

One of the classic ones for me has been on the direct-mail side of things. You can send a piece of direct mail with some kind of response device and

marketers are absolutely delighted if they get a two- or three-percent response. But the rest of the 95 or 97 percent don't stay neutral on the subject. At the same time you're getting a response from some people, you tend to be alienating some others.

### **How do you integrate your online and your in-store experiences?**

We don't think quite like that. In the end, our brand will be determined by what people think about it, their store experience. Then, of course, every time they touch the brand it needs to feel like it's the same, that it belongs to the same business, a business called Fresh & Easy Neighborhood Market.

The only way you can do that is by creating a culture around a set of values that means people naturally behave in the way the Fresh & Easy Neighborhood Market should behave, that the store does what it says on the tin. So, we spend a lot of time developing that kind of culture and being very clear about what it is we actually stand for. The way we communicate—in-store, online, whatever—is just a reflection of that.

### **What makes the store design innovative?**

Given that we are starting from scratch—not all of our buildings, but a lot of our buildings—we're able to build from the ground up. We've been able to build into them a lot of straightforward features that have enabled us to reduce their energy usage.

Based on our initial assessments, we expect that our ground-up stores will use about 30 percent less energy than they would have if we hadn't built certain features into them. A lot of the features, but not all of them, will be in the stores where we've taken over another building and put our store inside. For example, we use LED lighting in our freezer cabinets and for our outside signage.

We've done some simple modifications to our refrigerated cabinets that reduce their energy usage, as well. In our prototype, we use skylights and a clever system that allows us to turn down the lights during daylight hours. All those sorts of simple elements, when you put them together, have quite a big impact on your energy usage.

### How important is the environmentally friendly aspect of your strategy?

It's very important. We think of our approach as just being very thoughtful about the food that we offer, the way it's grown and processed. We think we're being very thoughtful about how we operate in the neighborhoods, and about being a great place to work. And it just seems right for us—it would be odd if we weren't being very thoughtful about the impact that we have on the environment.

### How do you keep your staff happy?

We approach that the same way we approach it with customers. We don't start from a point of view; we just talk to people and find out what makes a great place to work. Out of that we've tried to develop a culture and a set of rewards and benefits that mean that people will find Fresh & Easy a great place to work. The thing you hear time and time again—and to be honest it was no different here than we found elsewhere—is that the most important thing is to be treated with respect.

Much of what Fresh & Easy is about as a business is that it is the same on the inside as it is on the outside. If you treat your people with respect, customers will recognize it. We heard a lot from customers about stores where people don't seem to enjoy working there and other stores where people do seem to enjoy it. Customers say they felt they got much better service and it was much nicer to be in stores where people actually enjoyed working there.

### How much of loyalty results from a program versus the shopping experience itself?

That's always amused me because for many years I ran the Tesco Clubcard in the U.K. (*see sidebar*). It always amused me when people associated customer loyalty with a piece of plastic, because in the end what makes people loyal to you is if you manage to deliver a shopping trip which was what they wanted—or at least more of what they wanted than anybody else could deliver.

The thought that it's a piece of plastic that makes them loyal to you is ridiculous. So you have to first get the shopping experience right if you want to generate customer loyalty. Because in the end, what is customer

loyalty? You want your customers to keep coming back. You're only as good as your last shopping trip.

### Can you measure that kind of loyalty?

Yes, we've got quite sophisticated measurements in the U.K. But you get into this whole argument about functional or habitual or emotional loyalty and such like—we could be here for hours discussing the whole conceptual side of all that.

But at a very, very simple level, in the end, if people enjoy their shopping trip and get what they wanted, if they felt it fitted into their lives a bit better than other shopping trips and that they were treated with respect as a person in that shopping trip, then they'll want to come back again.

### What is your greatest hope for Fresh & Easy?

What I really hope is that by offering fresh, wholesome food, at prices that everyone can afford, that we'll help improve the diet here—because if we are successful, then more and more people will follow suit. America is a very big country, but one of its attractions is that if we do get it right for customers, it is a country that will reward us for that and allow us to expand.

It starts with people and with simply working out with them what is their ideal shopping trip—and working out with potential employees what really does make a great place to work. Fresh & Easy Neighborhood Market is not something that we've imported from anywhere else. It's been developed for the way people live their lives today in America.

Simplicity is something that seems to me is an increasing theme around the world. Being simple is part of what we do, and there's nothing more simple than just going and talking to people and finding out what they want and then delivering it better than anybody else. ■



**SIMON UWINS** is chief marketing officer of **Tesco's Fresh & Easy Neighborhood Market**, having joined Tesco in 1984 from ACNielsen. Simon ran Tesco's bakery, health/beauty and non-foods categories prior to leading its marketing in the U.K.



WE UNDERSTAND HER BEFORE SHE SHOPS, WHILE SHE SHOPS,  
AND AFTER SHE SHOPS.

Authentic shopper marketing. Rich consumer insights. Smart creative solutions.

Call **Ken Barnett** COO/Chief Culture Officer. He'd love to tell you all about her. **248.936.2267**

Detroit, Bentonville, Cincinnati, San Francisco, Minneapolis, New York, Chicago,  
Phoenix, Tampa, Pittsburgh, Charlotte [www.marsusa.com](http://www.marsusa.com)

 **MARS**advertising