Our six strategic drivers set out the plans and aspirations which will create long-term value for all of our stakeholders.
1. A differentiated brand
   A strong brand creates long-term value. Our purpose, to serve shoppers a little better every day, is at the heart of what our brand stands for.

2. Reduce operating costs by £1.5bn
   We have undertaken a thorough review of our entire cost base, to identify further opportunities for meaningful savings.

3. Generate £9bn cash from operations
   Cash is the lifeblood of our business, and we have set a three-year target to generate £9bn of cumulative retail cash from operations.

4. Maximise the mix to achieve a 3.5% – 4.0% Group margin
   Building sustainable profitability across our businesses, channels and product ranges.

5. Maximise value from property
   Our property strategy is about releasing value from our estate, and repurposing space to enhance our customer offer.

6. Innovation
   Our innovation strategy is driven by expertise and insight in our three differentiating capabilities: Product, Channel and Customer.
Reduce operating costs by £1.5bn

We’ve identified £1.5bn of potential savings for the years to 2019/20, with particular opportunities to simplify the way we run our stores, modernise our distribution and fulfilment networks, and more efficiently procure goods and services not for resale. This year we have generated £455m of cost savings, of which £226m contributes to our £1.5bn target.

1. Store operating model – c.£550m
   Continuing to improve service in store is our absolute priority, and by recalibrating the way we serve customers we have identified opportunities to increase customer satisfaction while also reducing costs. In our UK stores, we have worked with colleagues to ensure that we schedule hours for when our customers need them most, reducing our night operations and moving replenishment to the daytime.

2. Logistics and distribution – c.£450m
   Improving stock flow and increasing the efficiency of our supply chains reduces our costs, and also helps us get products to customers faster – so they benefit from fresher food too. As part of this work, we’re changing our distribution network – announcing the closure of our distribution centres in Welham Green and Chesterfield – to ensure that the way we distribute food and goods within our business is as simple and cost-effective as possible.

3. Goods not for resale – c.£500m
   In our day-to-day operations we purchase a wide range of goods and services not for resale, covering everything from marketing to haulage and consumables. Consolidating our spend with our most important supplier partners has allowed us to make substantial savings – for example by reducing our number of haulage partners in Central Europe from 10 down to three, working across the region.

A differentiated brand

We are on a journey to rebuild trust in our brand, and we have made significant progress. As the brand strengthens, we invest more in those things that make the Tesco brand and experience unique.

Our opportunity is to differentiate through our products and services – with great quality at affordable prices, and a unique Tesco offer – and through customer experience, for example by simplifying our systems for ordering online, and delivering consistently great service in store.

With our Brand Guarantee, customers don’t have to worry about the price of branded products – which they could get from other retailers – and our own-label products become the point of differentiation, with a unique and helpful offer which gives customers a reason to choose Tesco.

We take pride in the quality of our food, and that’s reflected in our ‘Food Love Stories brought to you by Tesco’ campaign, which aims to set out our food quality credentials and celebrate the passion and care that goes into the meals we all love.

We take pride in the quality of our food, and that’s reflected in our ‘Food Love Stories brought to you by Tesco’ campaign, which aims to set out our food quality credentials and celebrate the passion and care that goes into the meals we all love.
Our world-class store ordering systems have allowed us to simplify back-room procedures in stores – increasing the amount of stock that goes straight from a delivery onto shelves. This ensures great availability for customers, while also reducing the residual stockholding in store and allowing our colleagues to more efficiently manage stock by only handling a product once.

Our 88,000 square feet store in Surat Thani was too large, with an overly-broad range that made the shopping trip harder for customers. We took out around 20% of the retail space, creating room for tenants such as Boots and KFC. These bring new income and attract more customers, with a halo effect on our core retail offer and a resulting increase in retail sales density.

Maximise the mix to achieve a 3.5% – 4.0% Group margin

Maximising the mix means looking at the full picture of everything we do to ensure we are delivering great service for our customers, and driving growth in areas which deliver sustainable profits – in order to achieve a 3.5% – 4.0% Group operating margin by our 2019/20 financial year.

We serve shoppers through a wide range of channels and services. To ensure we can deliver these sustainably, we work hard to build long-term profitability – by investing in new areas, and by improving the economics of more recent channels, such as Grocery Home Shopping. We follow this approach in all parts of our business, from choosing how we allocate space in our large stores, to looking at the promotional mix we offer to our online customers.
5. Maximise value from property

We have a significant property portfolio, combining both freehold and leasehold assets. We look closely at opportunities to insulate the business from future rental increases, by carefully optimising our freehold and leasehold mix.

Repurposing space – in our stores, malls or car parks – allows us to improve sales densities in our larger stores, while also improving our offer for customers. In the UK we have worked with other leading brands to open 49 concessions in our stores this year, with partners including Arcadia Group and Holland & Barrett. We are also exploring opportunities to release value by selling ‘air rights’ above a small number of our stores in urban areas – working with a developer to build residential properties above or alongside our stores, without capital investment from Tesco.

6. Innovation

By listening to shoppers, and looking at broader customer trends, we can drive innovation in both the products we sell, and the channels through which we sell them.

Innovation touches everything we do, from the launch of our PayQwiq digital wallet, making the checkout process easier for customers, to our work on reformulation – taking hundreds of tonnes of salt, sugar and fat out of our own-label products to help customers live healthier lives.

The strength of the partnerships we have with our suppliers plays an important role in innovation. By building our businesses together, we also give suppliers the confidence to invest in innovative products and solutions for the benefit of our mutual customers.