

UKIBC Case Study

Tesco enters India with Tata

Tesco PLC has entered into an exclusive franchise agreement with Tata's Trent and it intends to develop a wholesale cash-and-carry business in India, with an initial investment of up to £60m in the first two years. The new wholesale outlets will be designed for the Indian market following local research. They will offer a comprehensive range of great value fresh food, grocery and non-food products to small retailers, restaurants, kirana stores and other business owners. The business will also provide farmers and other suppliers with a highly efficient route to market. Based initially in Mumbai, the business will benefit from over a decade of experience of setting up local businesses in international markets. Tesco is also entering into an exclusive franchise agreement with Trent, the retail arm of the Tata Group. Under the terms of the agreement, for which Tesco will receive a fee, Trent will be able to draw on Tesco's extensive retail expertise and technical capability to support the development of its hypermarket business, Star Bazaar. Trent currently has four hypermarkets, with plans to grow to 50 stores over the next five years. Tesco's wholesale business will supply merchandise to Star Bazaar, enabling the two companies to benefit from the rapid development of a modern supply chain. Tesco already sources over £170 million worth of Indian products each year, with sourcing offices in Delhi, Bangalore and Tirupur. It also employs nearly 3,000 Indian staff at its Hindustan Service centre in Bangalore, providing IT, financial and business services to the entire Tesco Group.

Sir Terry Leahy, CEO of Tesco PLC, said "This is another exciting development for Tesco. It complements our entries into China and the United States, giving us access to another of the most important economies in the world. Our wholesale cash-and-carry format will bring improved value, range and service to thousands of Indian businesses. "We are delighted to be working with Tata, one of India's largest and most respected business groups. Our agreement will enable us to share our international retail expertise, supporting Trent in the development of their Star Bazaar hypermarket business and benefiting Indian consumers."

Noel N. Tata, MD of Trent Ltd, said "'We are extremely excited about our association with Tesco. Our ability to access Tesco's retail knowledge and expertise will play an important role in our endeavour to offer a unique shopping experience to customers across the country. Their wholesale cash-and-carry business will provide us with the opportunity to tap into a world class supply chain thereby delivering the best of products and services to our customers."

Lucy Neville-Rolfe, Group Corporate and Legal Affairs Director, added, "We are an innovative and ambitious business and that is why it is so important that we will be investing in one of the most populous countries in the world with its thrilling potential. We can develop our new cash and carry business for the benefit not only of Tesco, but also of the stores and restaurants we will be supplying and the consumers they serve."

partnership in action

“Our entry into India, with the second biggest population and one of the fastest growing economies in the world, complements our entries into China and the United States. This gives us access to another of the most important economies in the world and further enhances Tesco's long term growth opportunities. We are forming a strategic alliance with Tata - one of India's largest, most respected companies with a great track record - and will benefit from their local knowledge.”

“The new wholesale outlets will be designed for the Indian market following local research. They will offer a comprehensive range of great value fresh food, grocery and non-food products to small retailers, restaurants, kirana stores and other business owners. The business will also provide farmers and other suppliers with a highly efficient route to market. Based initially in Mumbai, the business will benefit from over a decade of experience of setting up local businesses in international markets. Having just returned from India I've seen the enormous opportunity that exists there and the power of Indian links with Britain. I am much looking forward to making a proactive contribution to the work of the UK India Business Council. We are confident that we will bring world class supply chain capability to the Indian market, using skills, processes and technologies developed over decades of retailing around the world.