

NEED TO KNOW

Jack's – Great British discounter or Brexit bargain store?

Some claim the fascia is a reaction to Brexit, others that it is in response to Aldi and Lidl, but the discount chain is more about Tesco returning to its roots. By **George MacDonald**

One hundred years after Jack Cohen founded Tesco on a pile it high, sell it cheap strategy, the grocer has gone back to its roots.

But while Tesco's new venture, Jack's, takes its name and inspiration from its legendary founder, there is also more than a nod in the direction of disruptors Aldi and Lidl, which have challenged the food retail status quo.

The first two Jack's stores opened last month in Chatteris, Cambridgeshire and Immingham, Lincolnshire, and between 10 and 15 more are planned.

The emphasis, as well as on price with a promise to be "the cheapest in town", is on British products – eight out of 10 are "grown, reared or made in Britain".

Like the discounters, Jack's stores carry a limited range. There are 2,600 SKUs, of which 1,800 are branded Jack's, said Tesco chief executive Dave Lewis as he showed off the 12,000 sq ft Chatteris shop.

Like the discounters, Jack's offers regular special buys in a dedicated aisle. The inclusion of a price-led 'Fresh Five' fruit and veg offer that changes fortnightly is reminiscent of Aldi's Super 6.

However, Lewis maintained that Jack's is no Aldi copy.

Instead, he said, it represents a new, contemporary incarnation of the spirit of its founder, true to Tesco's core values. The Jack's fascia makes the connection with its parent explicit, bearing the words 'part of the Tesco family'.

Lewis said Tesco chiefs asked themselves, as Cohen had done, "what does the customer want and how does Tesco give it to them in the best value way possible?", and that there could be no better way than "getting back to customer-centricity to recognise and pay tribute to the founder".

He was insistent that nobody other than Tesco could have created Jack's



because it is born of the top grocer's unique strengths.

"The scale of Tesco allows us to bring that expertise and the size of Jack's [stores] allow us to be bespoke," he said. That is one key difference from Sainsbury's ill-fated flirtation with discounting in partnership with Netto.

Leveraging experience

"We're leveraging the size and experience of Tesco and bring that capability to Jack's in an operating model that is lower [cost] and passing that on to customers in the way Jack would have," Lewis added.

Tesco UK chief executive Jason Tarry made a similar point when he showed off the Jack's-branded product lines. He said: "Every line is sourced from over 350 suppliers who already supply Tesco, leveraging the scale that Tesco already has."

The British provenance of the bulk of the range is seen as one of Jack's big differentiators.



While Aldi and Lidl have made much of their support for British suppliers, Tesco sees Jack's as being in another league.

'Every drop of our milk is British', one sign screams. There is 'Cornish camembert' on offer and Derbyshire craft beer. Union flags emblazon packaging and in other cases, unusually, the words 'Imported by Jack's' are made very prominent.

Alongside must-have brands such as Heinz Ketchup, which consumers expect to see on supermarket shelves, there are only three categories of product that are not British: those dependent on climate,

such as bananas; those dependent on provenance, such as Italian pasta; and those where specialist capabilities are needed, such as for the 'made without' range.

Some have wondered whether the prominence given to British lines reflects the UK's looming departure from the EU and the fact that Jack's stores are likely to be in areas sometimes seen as marginalised. One analyst, who asked not to be named, called Jack's "a bargain shop for Brexit".

That's an association Lewis rejected. He said the British focus has "absolutely nothing at all" to do with Brexit.

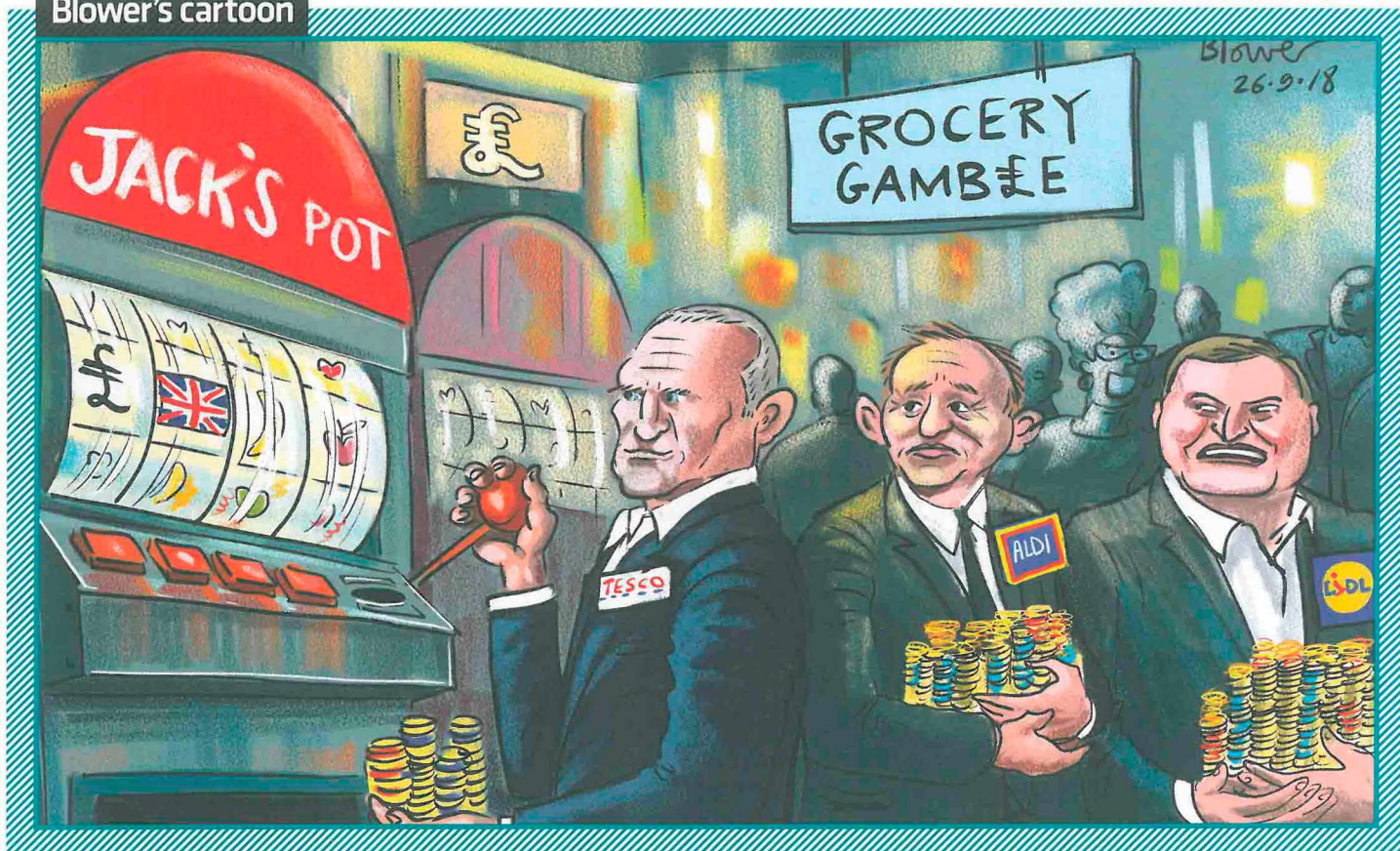
"Customers tell us the idea of provenance and locality is something that they value," he said.

Chief customer officer Alessandra Bellini added: "Why is 'made in Britain' important? It signifies quality and value. People expect things not to come from far away."

The big question is why Tesco has



Blower's cartoon



I'd always rather cannibalise myself than have someone cannibalise me

Dave Lewis, Tesco

chosen to launch a new chain devoted to value, rather than re-emphasise the low prices delivered in its eponymous stores through ranges such as the Farm brands, particularly when the prices shoppers pay for Jack's-branded lines will be the same or close to Tesco's lowest prices.

Lewis replied: "There are tens of thousands of products and very high density of range in a Tesco store, but there's a cost of running that level of range.

"[At Jack's] we've got the proposition around being very local in sourcing. There's just not the volume to do that in Tesco."

There are other differences from the core business. Shoppers will not be able to use their Clubcards in Jack's because "all the value has been put into the price".

He was sanguine in the event that some Tesco shoppers switch to Jack's. Lewis said: "It's a very

competitive market. I'd always rather cannibalise myself than have someone cannibalise me."

Smaller, simpler shopping

The stores also reflect a shift towards "smaller, simpler" shopping trips as well as demand for value.

But satisfying shopper demand for value is the foundation stone of Jack's, where the intention is to be "the cheapest in town" – perhaps the most used phrase by Tesco managers during the store launch.

That means prices will be varied locally depending on the competition. It remains to be seen how Aldi and Lidl might respond. TCC Global retail insights director Bryan Roberts observed: "Aldi's efficiencies rely on standardisation. Would they give their local stores autonomy on pricing?"

Lewis was keen to keep a lid on expectations about Jack's. At present, only 10-15 are planned and the capital cost of between £20m and £25m is immaterial in the greater scheme of things.

Locations include mothballed stores – as is the case at Chatteris – or repurposed branches, as well as underused space such as car parking areas by Tesco Extra hypermarkets. If the fascia works, it will bring into

use or improve performance from existing space.

TCC's Roberts liked Jack's. He said: "What really impressed me was the cohesiveness of the proposition.

"If you see it as a reaction to Aldi and Lidl, it's a stable-door scenario. But if you also view it as a way of optimising Tesco assets, it makes a lot of sense.

"What they're mindful of is that this proposition brings efficiency for them and the shopper. They can utilise all the firepower of the Tesco group."

However, NBK Retail founder Natalie Berg was unconvinced. She said: "Tesco couldn't pay the discounters a greater compliment. This launch is an admission that the likes of Aldi and Lidl have fundamentally changed the way we shop and there's no sign of them abating.

"So what's next? At best, Tesco will have regained some share. At worst, Jack's becomes a distraction. Either way, Aldi and Lidl aren't going anywhere."

A century on from its birth in 1919, Lewis and Tesco's bosses hope that taking lessons from the founder is one way that will allow the business to adapt for the next 100 years.

Tesco has introduced a variety of cost and efficiency measures in Jack's

stores to ensure that the low-price model works.

Jack's project leader Lawrence Harvey – a former Aldi executive – said the team asked themselves the question: "Is what we're spending on making us more simple or efficient? That was the overriding priority."

So the bakery, where product turnover is high, can be replenished from immediately beside it, ensuring rapidity.

Bespoke shelving is easily manipulated, allowing fast readjustment. Ninety per cent of ambient product is in shelf-ready packaging and other popular products – such as bottled water – are displayed on pallets.

The aisles are wider than normal, which allows staff to replenish shelves with minimal disturbance to customers.

As with Aldi and Lidl, Jack's has no transactional website. The retailer has a payment app, however, so shoppers can scan goods, keep a running total of their spending and check out quickly.

Jack's staff are on different pay and conditions to Tesco's. They are paid on a "base rate" basis, according to Lewis, and do not have the same benefits. **RW**