**Assessing greater use of digital technology activity**

|  |
| --- |
| **Tesco ClubCard** |
| According to Tesco their Clubcard scheme is ‘our way of giving you something back for doing your shopping with us.’ (www.tesco.com/clubcard) It was launched in 1995 and aided Tesco in dominating the market to cement itself as the number 1 in the market, pushing its market share above 30%. It is estimated that Clubcard costs Tesco £500m a year, although some of this is covered by selling data to suppliers such as Heinz, Unilever and Nestle. Tesco’s market share has begun to be eroded down to 28% in 2014 by the discount retailers Aldi and Lidl with their simple stores and low prices. Some analysts believe that perhaps it is time to get rid of the Clubcard and spend this money on price cuts instead to improve its competitiveness.Tesco claim this reward scheme is one of the features that differentiates the company from its rivals but halting the Clubcard scheme would also prevent Tesco from being able to use data mining. Tesco record what consumers purchase whenever they use their Clubcard. Tesco is estimated to have 16 million members on its Clubcard loyalty scheme. The scheme is sold to shoppers as a reward scheme for loyalty but is seen by some as a way of spying on consumers shopping habits. Clubcard has helped Tesco to better understand their consumers and anticipate trends.Tesco use a computer science company Dunnhumby, which Tesco own, to analyse the information provided from Clubcard and identify consumer spending habits. They can do this by location identifying what products sell well in particular areas of the country even down to the post code. Tesco are then able to tailor what products it sells in stores in different areas of the country to avoid unsold stock and waste, only stocking things that sell well. It is estimated they save £350 million a year as a result of this. Tesco can target marketing campaigns at particular areas and consumers. They can send vouchers that are specific to the kind of products consumers buy and can target advertising literature to only those they consider relevant. It can even help them to decide where best to open up new stores.  |

|  |
| --- |
| **Amazon** |
| Amazon is the biggest online retailer in the world by revenue and was founded by Jeff Bezos in 1995 the same year Tesco launched its Clubcard. It has revolutionised the way consumers shop and has reshaped high streets in the UK. Amazon’s success story has been founded on digital technology and the process of e-commerce and data mining. Amazon relentlessly drive down prices and have caused many traditional high street retailers such as HMV in the UK to struggle and lose market share as they simply cannot compete on price. They have been able to do this by selling purely online through e-commerce eliminating the need for stores around the world with expensive overheads. As with Tesco, Amazon record our purchases and can accurately predict what consumers want to buy based on their previous purchases and those of other consumers using the site. Amazon offer a personalised approach to marketing which they say is ‘fun’ but some consider an invasion of privacy. Consumer’s actions are recorded, tracked and analysed and they are offered a range of products which they may like which encourages purchases when other people have made similar choices. Amazon have so much information on consumers they are able to very accurately predict exactly what they may want, thus contributing to their enormous revenue figures. Amazon is very secretive about its data and unlike Tesco and many other firms does not share or sell this information. |

**Exam-style questions**

1. Analyse two benefits of data mining for modern retailers like Tesco and Amazon. (12 marks)
2. To what extent do you think the Tesco Clubcard a way of rewarding and building customer loyalty or is it just a way of collecting consumer data for data mining? Justify your answer. (20 marks)