

Finance Work Experience.

Student Activity Pack



Name:

About Us

Tesco was founded in 1919 by Jack Cohen from a market stall in London's East End. From this we have grown to become one of the largest retailers in the UK.

Serving customers is at the heart of everything we do – from colleagues in our stores to those of us in supporting roles.

Tesco was built with a single mission:

To be the champion for our customers.

Over the years we've done this through lots of little, helpful differences: new stores and ways of shopping; service which saves time and makes life simpler; helping to make great food available to all.


Our mission is the same today.

Our customers are hard-pressed for both time and money. They want great value and service. They expect great products which they can buy easily. Wherever we work, they want us to do the right thing – for them, their communities and the environment.

With thousands of colleagues around the world, we have the opportunity to improve the shopping experience of millions of people every week.

Small actions, big difference. Helping to make our customers' lives easier, every day

In other words – *Every Little Helps.*

<p>Brand</p>		<ul style="list-style-type: none"> Our ability to build a distinctive brand is key to our long term success.
<p>Purpose</p>	<p>Serving Britain's shoppers a little better every day</p>	<ul style="list-style-type: none"> Great brands are built by having a single-minded purpose. This purpose guides all decision-making
<p>Proposition</p>	<p><i>Every Little Helps.</i></p>	<ul style="list-style-type: none"> Our central proposition as a brand supports our purpose: Every Little Helps. We need to identify 'little helps' which customers value and which differentiate Tesco.
<p>Values</p>	<ol style="list-style-type: none"> No one tries harder for customers We treat people how they want to be treated Every little help makes a big difference 	<ul style="list-style-type: none"> To guide us in this purpose we have three values. These values will help guide us in the decisions we make. They are not optional – they must live in everything we do. The feedback from our colleagues is that these are the right values but they challenged us to lead by them in all we do every day

What is Tesco Finance?

Note: All underlined dark blue words in this booklet are explained in the Glossary on pages 17 - 19

Tesco Finance is a support function responsible for providing the business with specialist advice and expertise. This involves many things! All of our activities though are driven by the following purpose : *Partnering the business to serve shoppers a little better everyday.*

But what does this cover? Our job as Tesco Finance is to:

Protect:

- We ensure the business is kept safe, sustainable and operates ethically & legally.
- We operate with integrity and professionalism.

Generate Value:

- We proactively deliver opportunities to generate value for Tesco and all of our internal & external stakeholders.
- We are curious, future focused, and think big in scope and ambition.

Collaborate:

- We work side by side with the business and stakeholders to deliver Tesco's ambitions.

Simplify:

- We strive for simplicity and increasing efficiency.
- We identify root causes and sustainable solutions.

Innovate:

- We continuously find ways to deliver our ambitions more effectively.

Nurture

- We care about our people, attracting and developing the best.
- We champion our diversity, inclusivity and authenticity

Which areas interest You?

Tesco Finance is split into 4 key areas, each embedded into all functions of the business:

- Financial Control
- Financial Planning & Analysis (FP&A)
- Finance Business Partnering
- Specialist (Tax, Treasury, Internal Audit, Investor Relations)

Financial Control Information

What is Financial Control?

Control is about making sure that the business is operating safely and legally with regards to its Financial operations. For example, Control is about making sure we have followed the accounting rules to ensure all our financial statements (income statement, balance sheet and cash flow) and numbers are correct and comply with accounting standards (in the UK, we use 'International financial reporting standards' – IFRS). As such, this is the area in which the accountancy elements of finance are most apparent. Financial Control is an integral part of any Finance professional's job, and all colleagues should have a 'Finance control' mindset – a finance professional must always ensure the correct rules and procedures are followed.

What would a typical month look like?

- Every period end (every 4 weeks) making sure costs and revenues are booked to the correct accounts within the companies General Ledger (essentially the company's 'books').
- Making sure that these costs and revenues are being 'treated' correctly – this means ensuring accounting rules and regulations are being followed.
- Giving first sight to the business of the financial performance of a period. These numbers are not the reported numbers until the control teams sign them off
- Improving internal financial controls (rules and procedures which make sure things are done properly) across the business

What skills help with this role?

- Attention to detail – being able to work through and interpret a lot of data, and make sure the correct rules and procedures are being followed each and every time.
- Accounting – understanding of accounting rules and regulations is vital in this role
- Communication and Teamwork – Period ends can be pretty busy times! Strong Communication and teamwork is vital.

Links to useful tutorials...

[Financial Controller Role Example](#)

Financial Planning & Analysis

Information

What is Financial Planning & Analysis?

Often called FP&A, this role looks at forward looking expectations of income and costs to the business and compares them to old expectations. You would help put together a 'budget' (what you think will happen next year), a 'long term plan' (what you think will happen in the next 3 to 5 years), and each month a new forecast (what you think will happen for the rest of the current year). As a FP&A Manager, you need to influence the business to get to the right financial expectations and guide the business on future performance.

What would a typical month look like?

- Asking the business if they have any new information that could affect future income or costs (e.g. a new discount on a product is a cost to the business but often leads to higher sales)
- Creating a new forecast and explaining what has changed versus the old forecast and budget set at the beginning of the year
- Answering financial questions from Directors/Stakeholders (e.g. is it better for the business if we promote this product in April or May?)
- Updating your leadership team with their area's performance expectations

What skills help with this role?

- Communication skills – being able to clearly explain finances to people who may not be naturally comfortable with numbers (Maths and English skills)
- Analytical skills – being able to understand and interpret reports. Asking questions to improve your understanding (Maths skills)
- Influencing skills – being able to bring people round to your way of thinking without force, whilst acknowledging their opinions

Links to useful tutorials...

[Create a personal budget](#), [How to win friends and influence people](#)

Business Partnering

Information

What is Business Partnering?

In today's business world, there is a requirement for a much closer relationship between finance and the operational side of the business.

A finance business partner uses their specialised finance skillset to assist business leaders with decision making. They provide advice, identify areas of opportunity, and challenge decisions when required. All of which improves the quality of decisions made, and therefore business outcomes.

What would a typical month look like?

- Presenting to your respective leadership team, the financial performance of the prior month.
- Providing advice and insight to help inform decision making. E.g. creating and presenting business cases.
- Working on ad-hoc projects focused on identifying areas of [value-add](#). Then presenting these to business leaders.
- Supporting your wider function with any finance queries they may have.

What skills help with this role?

- Strong presentation / Communication skills
- Commercial awareness (this means a good understanding of the business, and the market in which it operates)
- Strategic thinker (you think about hitting long term objectives)
- Relationship management (it's important to have a good relationship with the business, so that they trust and value your advice)

Links to useful tutorials...

[Influencer](#); [Driving the Value](#); [Precise skillset](#)

Specialist Finance Areas

Information

Audit & Risk

What are Audit & Risk?

Risk: To ensure that threats to the Tesco business are identified, adequate actions are taken to control them and that these activities are assessed and monitored to enable Tesco to achieve its objectives and protect our license to operate. **Internal Audit:** Conduct audits across the whole business, the aim of which are to identify (and correct) any control risks and areas of process improvement. Both Risk and Internal Audit work collaboratively with the business to achieve these value-add goals.

What would a typical month look like?

Working on an internal audit – conducting fieldwork such as testing the design and effectiveness of business controls (internal rules) or writing an audit report containing recommendations for process / control improvement and presenting to business leadership. Ensuring business risks are continuously assessed and managed appropriately.

What skills help with this role?

Communication; Analysis; Report Writing; Teamwork

Treasury

What is Treasury?

Treasury is a specialist financial function that involves the management of money and financial risks to the business. This spans from day to day cash management to a long term focus on financial strategies and policies for the organisation.

What would a typical month look like?

There are various roles within the Treasury team, each with differing focuses. A usual month may involve: Reviewing global cash balances / meeting with banks to discuss upcoming projects & funding needs (i.e. do we need to take out loans?) / creating excel models to support decisions / working with business teams to understand their needs.

What skills help with this role?

Analysis skills; Curiosity; Communication; Teamwork

Specialist Finance Areas

Information

Investor Relations

What is Investor Relations?

Investor Relations is the function that looks after anyone who has shares in Tesco, this could range from the big banks with billions to individual shareholders. We are the first point of contact for any shareholder that has a question about what Tesco is doing, so we need to know a lot about the business and work closely with many other functions. Its not just finance talk either, we make sure that our shareholders are aware of everything we are doing about wider strategy and sustainability too!

What would a typical month look like?

On a day-to-day basis, we manage our shareholders, meeting up with the most important ones to discuss a range of issues such as financial performance and human rights. We also answer any queries that come into the inbox, from anyone who is a shareholder.

What skills help with this role?

Communication and presentation skills; creativity; relationship building

Initiative for the Future - Individual Project Work.

**Please note: The following
scenario is entirely fictitious –
it uses made up context,
content and figures.**

**But it does represent some of
the types of tasks that Tesco
Finance are involved in each
and every day!**

Scenario (1/7).

All underlined dark blue words are explained further in the glossary on pages (17 - 19)

The Tesco UK & ROI leadership Team have just finished a business-wide strategic review. As part of this review, a number of potential new [initiatives](#) were discussed for roll-out over the next 3 years. The goal of these initiatives is to ensure that we continue to serve our shoppers a little better everyday, and in doing so, keep us ahead of our competition.

The Leadership team would like Finance's view on these initiatives. The UK & ROI Finance Director took an [action](#) from the meeting to report back on whether these projects would be good investments. The UK & ROI Finance Director's email to their team is as follows:

Strategic Initiatives - 2021

FD

UK & ROI Finance Director

To UK Functional Finance Directors

Hi All,

The UK Leadership have asked us to report back on a number of new initiatives under consideration – see attached for further details.

Please can you get back to me by Friday 9th April with a completed business case on one of these initiatives. Please make sure:

- The business case includes both financial and [non-financial](#) components
- Includes consideration of the impact on all of our [stakeholders](#), internal and external to the business
- We consider impact to this year's and future year's [profit](#)
- You think about the [big picture](#) – i.e the economic/social environment the business is currently operating within
- You conclude by recommending whether we should, or should not, go ahead with the initiative.
- You clearly explain why you think we should, or should not, go ahead with the initiative
- You think about how best to present the information, focusing on [landing the message](#) clearly and effectively

Many thanks,

UK & ROI Finance Director

Finance

Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA.

www.tescopl.com | @tesconews

TESCO

The initiatives in question are as follows:

- 1) Drone Delivery
- 2) Store Spacing
- 3) Cashless Stores

Scenario (2/7).

Your Task from the Finance Director

- Select the initiative you believe to be the most interesting of the three, and that you think would be a good fit for Tesco.
- Using the information provided in this booklet, consider whether it makes financial and non-financial sense for Tesco to go-ahead with the initiative. You should do this by creating a [business case](#) for the chosen initiative in Excel (this is what we do!)
- Your business case can lead to two possible recommendations: 1) Tesco should go-ahead with the initiative **or** 2) Tesco should not go ahead with the initiative.
- You may also create a PowerPoint presentation for the Finance director in which you outline your business case and your recommendation.

Tips.

1. Read through the previous pages of this booklet and the glossary page

2. Read through the scenario pages in the workbook

3. Feel free to do your own research also!

4. Pick one initiative. Complete the Excel business case template for your chosen one (see next page)

5. Submit your Excel template and also, (recommended), a PowerPoint explaining your business case

6. If you'd like to submit a video/voice-over of you presenting the business case also - great!

Submission Options

- Your teacher will confirm the exact submission requirements. But ordinarily you should submit your completed Excel template at a minimum
- It is recommended that you also complete a presentation on PowerPoint (this is usually what we do!), outlining the business case. In doing so, you should imagine you are presenting your recommendation to the UK Finance Director.

Scenario (3/7).

Excel Template

- The Excel template (discussed in circle number 4 on the previous page) contains 3 sections. These sections are designed to help you order your business case - a clear, flowing logic is important when it comes to business cases.
- You may also complete a PowerPoint presentation explaining your business case. You may want to copy and paste the three sections into your presentation
- Remember, your goal is to make a considered judgement including financial and non-financial factors as to whether Tesco should go ahead with either **Drone Delivery**, **Store Spacing** or **Cashless Stores**.

Table 1

Financial Impacts				
Value in £ks (Thousands)				
Cost (£k)				
	Year 1	Year 2	Year 3	
Costs				
e.g. Drone Unit				0
				0
				0
				0
	0	0	0	0
Benefits (£k)				
	Year 1	Year 2	Year 3	Total
Benefits				
e.g. Increased Sales				0
				0
				0
				0
	0	0	0	0
Profit (£k)				
	Year 1	Year 2	Year 3	Total
P&L Impact (Profit/Loss)				
	0	0	0	0

Table 2

Non Financial Impacts
Customer Impacts
Colleague Impacts
External Impacts

Table 3

Conclusion	
Based on the above, should Tesco go-ahead with the Investment?	Yes - We should proceed
I have come to the conclusion that the business should proceed with this initiative.	
I think this because of the following key points:	

Scenario (4/7).

The UK & ROI Finance Director attached the below document alongside their email. It provides a high level description of the initiatives under discussion. Each of the proposals are to be considered over a 3 year period.

Confidential – Director Only

Strategic Initiative Review: Proposals Summary

1) **Drone Delivery.**

Following the technological advances in drone technology in recent years, and particularly the increase in their reliability and affordability; the business would like to explore the possibility of drones being used to deliver groceries to our customers. This is seen as one of the potential solutions towards the fulfilment of ever increasing online customer demand – particularly 'small baskets'. There is also a strong sense that some of our competitors may be about to move into this space, and we don't want them to gain any first-mover advantage. Drone delivery will also see us take a step towards achieving the environmental commitments we have made.

2) **Store Spacing.**

Recent years have seen a big shift towards online sales of General Merchandise (Non-Food), away from in-store purchases. Enhanced delivery times and ease of purchase, means people prefer to buy items such as TVs and other electronics online. These bulky items take up a lot of store space, and offer us relatively little margin. The business would like to explore whether we should realign some of this store space towards other more profitable product areas. Clothing has been a particular growth area for the business in recent years, and so the business would like to explore whether our F&F brand can use this General Merchandise space more profitably.

3) **Cashless Stores.**

3 years ago, debit cards overtook cash as the most frequently used payment method in the UK - this trend is only set to continue as payment technologies become more advanced and accessible. The business currently spends a lot of time and resources accepting cash and performing cash routines such as transportation and security. The business would therefore like to explore the possibility of making some stores in the estate cashless. Part of this would involve investing in and improving new payment technologies such as contactless - in doing so demonstrating our embrace of technological innovation.

Scenario (5/7): Initiative 1 – Drones.

Below is an email from a project manager who is assisting you on the drone project business case.

Drone Initiative - London Trial

PM Project Manager
To Finance Manager

Hello, I hope you are having a good week.

I've had some meetings with teams across the business including: [Fulfilment](#), Online, [Insight](#) and Stores. Here are some thoughts from me to help with your London Drone Trial business case:

Main Costs

The leadership have decided to explore a [subscription model](#) with a specialist drone firm. This means we will pay the firm [an annual fee depending on the number of deliveries](#) that they make each year.

- The costs that the drone firm are quoting are shown below. I have also shown the amount of deliveries we expect to make over the next three years (based on current small basket van deliveries).
- The company also charge a maintenance cost for [every 10,000 deliveries](#) we make – I've included the quotes for this too.

Delivery Demand	Year			Year 1 Costs	Number of annual Deliveries made		
	Year 1	Year 2	Year 3		< 0.2m deliveries	0.2m - 1.5m delivers	1.5m+ deliveries
Today's Estimated Annual London delivery demand: 'Small Basket' (deliveries suitable for drones)	100,000 deliveries	500,000 deliveries	1,400,000 deliveries	One-off annual Cost charged by the Drone company	£500,000	£800,000	£950,000
Year 1 Costs							
Maintenance cost per every 10,000 deliveries made	£5,000						

- Please be aware, the drone company say they will increase all of their prices by [RPI inflation](#) in year 2 and year 3 – **RPI is 2%**. (This has not been included in the above costs yet)
- Also, the insight team think that today's estimated delivery demand numbers (based on van deliveries) may not be telling the whole story. They believe that given the excitement of drone delivery, **years 1 - 3 delivery demand numbers should be 10% higher than shown above.**

Current Van deliveries to London

The Fulfilment and Product teams tell me that customers spend on average **£10** on a 'small basket' shop (one which delivery could be made by drone)

- The [commercial margin](#) we make on such a basket is on average **£1**
- It then [costs us on average £4.50](#) to distribute, pick, and then deliver this product to a London address via our delivery Vans.
- The customer currently pays a [delivery fee of £3](#) on small basket spends.

Proposed Drone deliveries to London

The Online team believe that the speed of a drone delivery (max 30 mins to anywhere in London once picked) + its technological appeal means we can change our delivery pricing.

- We believe we could [increase delivery fees to £6](#), without any loss of demand.
- The Fulfilment team also believe that to distribute, pick and then deliver to a London address via drone [would cost only £3.50](#) - I'm waiting to hear back why there is a reduction in distribute, pick, and deliver costs with a drone than with a van – [can you think why and include in your business case?](#)

Other Costs

- Training provided by the drone company will initially cost **£3,000** per store in the [first year the store operates the drones](#). Refresher training in years 2 and 3 will cost **£1,000** per store.
- We anticipate 100 stores will operate the drones in year 1, another 50 stores in year 2 (total 150) and 50 more in year 3 (200 total)
 - We are yet to select which stores these should be – [Can you comment on which type of store might be best for drone delivery in your business case?](#)

This obviously doesn't cover everything, but hopefully this is enough to get started with - let's pick up at the end of the week.

The Finance Director also sent through the following recommended background reading that may be helpful for your business case (though feel free to do your own!). Some of it refers to an organisation you might recognise...

[Safety First](#)

[Drones – not yet taking off](#)

[Benefits and Challenges](#)

[Home Delivery Service by Drone](#)

[Only 23% support for drones](#)

[Delivery in Action](#)

[Upcoming retail services](#)

[Droning on](#)

[Research Conflicts](#)

You might want to think about the following in your presentation:

- What are some of the risks involved ?
- How might we reduce these risks?
- Are there any faulty assumptions in the PMs email?
- Are there other costs that should be included?
- Can we make training more cost effective?
- The Environmental / legal and other external impacts of switching to Drones?
- How will this affect Tesco colleagues?
- What other decisions will this affect?
- Is London the right choice?

Scenario (6/7): Initiative 2 – Store Spacing.

Below is an email from a project manager who is assisting you on the Store Spacing business case.

Store Spacing - Wales Trial



Project Manager
To Finance Manager

Hello, I hope you are having a nice week.

The leadership have asked me to work with you on the [Store-Respacing](#) initiative. They want to specifically look at reducing the store space given to Electronics, and replacing this with our F&F clothing.

The plan is to do this first within our stores in Wales. I've had a few meetings already across the business including with the Property, General Merchandise (GM), F&F and Insight teams. Here are some key points from each meeting to help with your business case calculations:

Property Team

- The proposed trial will take place in 15 Extra stores within Wales. The leadership would like to consider the three year impact of this change.
- The aim is to convert 2 aisles (total 40 square meters) currently dedicated to TVs and other bulk electronics, to 3 aisles of F&F clothing (total 40 square meters).
- The cost of dismantling electronics shelving will be £1800 per aisle per store. The cost of replacing with clothes racks will be £1200 per aisle per store
- Our F&F areas have wooden flooring, this costs £900 per square metre to buy and install. It costs £100 per week to maintain wooden flooring in each store.
- It will take 4 weeks in January to convert each store, during this time no sales of Electronic items will be made on the aisles to be converted.

GM

- On average (for year 1) customers purchase **£20,000** worth of products each week from 1 electrical aisle in a Wales Extra.
- The average operating margin on these products however is only 1%

F&F

- On average (for year 1) customers purchase **£3,000** worth of products each week from 1 clothing aisle in a Wales Extra.
- The average operating margin on these products is 12% - do you know why the operating margin is higher for clothing than electronics?
You may want to cover this in the business case

Insight team

- We anticipate demand for in-store electronics will decrease by 10% in year 2 and an additional 10% in year 3, because of a move to online purchases.
- We anticipate a 10% increase in demand in year 2 for clothing and a further 12% in year 3, because of the growing success of our F&F brand.

This covers most financial points and is hopefully enough to get started with - let's pick up at the end of the week.

Project Manager
Strategic Projects

The Finance Director also sent through the following recommended background reading that may be helpful for your business case (though feel free to do your own!). Some of it refers to an organisation you might recognise...

[Getting into More Baskets](#)

[Nutmeg standalone](#)

[Electronic Top sellers](#)

[F&F Sustainability](#)

[Online not the answer?](#)

[Competitor space](#)

[Clothing Covid woes?](#)

[Disruption problems](#)

[Streamline a range](#)

You might want to think about the following in your presentation:

- What are some of the risks involved ?
- How might we reduce these risks?
- How will Tesco colleagues react?
- Are there any faulty assumptions the PM has made in the above?
- Is clothing the right replacement?
- What are our competitors doing, and how might this affect our decision?
- What will our customers think of the change?
- Will this still work in a post-covid world?
- Are there any missing costs or benefits?

Scenario (7/7): Initiative 3 – Cashless Stores.

Below is an email from a project manager who is assisting you on the Store Cashless Stores business case.

Cashless Stores Business Case

PM Project Manager
To Finance Manager

Hi,

I hope you're having a nice week.

The Head of Express Stores has asked me to work with you on the 'cashless store' initiative.

We recently trialled a cashless Express store and they would like us to put a business case together to see if we should make all Greater Manchester Express stores cashless.

We already have the technology for cashless tills developed and ready to roll out. Below are some figures that may help you with the business case:

- We have 100 Express stores in the Greater Manchester region
- Each Express store has an average of 4 tills (a mixture of colleague operated and self-checkout)
- The cashless tills cost £645 each and it costs on average £150 to replace each till
- Additional maintenance for each till per year is £75

We have a number of costs currently associated with taking and holding cash:

- It takes one colleague an hour at the end of each day to count the cash for that store. If we become cashless the colleagues can go home an hour earlier.
 - Shop staff receive an hourly rate of £9.30 (this includes national insurance, tax and other costs of employment).
- We currently have to pay security people to collect, transport and manage cash, on average £50 per store per week.
 - Could the reduction in transportation help with our Environmental Commitments?
- We also lose about £1,000 per store per year from theft or fake notes.

Some other things to consider are:

- We have a cost of taking card payments of 0.05% per transaction, paid to the card company.
 - Our average transaction is £17.25 in Express Stores and on average we have 780 transactions in an Express store each day.
 - Currently on average 280 of these transactions are made using cash each day. These transactions would be made by card if we move to cashless stores.
- All costs are subject to RPI inflation which we assume is 2% a year (this should be applied to years 2 and years 3 only)
- We can assume 365 annual trading days (days the stores are open) for this business case
- It could cause a lot of disruption to customer if we made the changes all in one year. Would you suggest changing the tills over 2 or 3 years instead?
- Should we be concerned about how our customers may feel if we take away the option of using cash to pay for their shop? Could we lose or gain customers?
 - Could you do some research and include this in the business case too?

Project Manager
Strategic Projects

The Finance Director also sent through the following recommended background reading that may be helpful for your business case (though feel free to do your own!). Some of it refers to an organisation you might recognise...

[Cashless store in London](#)

[Amazon cashless store](#)

[Say no to cashless](#)

[Cashless good for business](#)

[Pros and cons of cashless](#)

[Cashless society](#)

[Is it time for retailers to go cashless](#)

[A cashless Australia](#)

[ATM withdrawals drop](#)

You might want to think about the following in your presentation:

- What are some of the risks involved ?
- How might we reduce these risks?
- How many tills should we replace each year?
- How many customers still use cash?
- What will our customer think of cashless?
- How will Tesco colleagues react?
- Is it cheaper for us to go cashless?
- What other decisions will this affect?
- Is it too soon to go cashless?
- Are there any other stakeholders who may have a view on this (e.g. charities, banks etc.)

This scenario is fictitious – and has been generated for purposes of this finance work experience activity only

TESCO

Glossary (1/3)

Integrity: the quality of being honest and having strong moral principles. This means doing the right thing.

Stakeholders: a person with an interest or concern in the business. At Tesco we have many stakeholders, both internal and external. Our internal stakeholders include our shareholders, management and colleagues. Our external stakeholders include, customers, suppliers, local communities, government, wider society and many others!

Root Cause: The thing which is responsible for a certain outcome. Targeting the root cause means focusing on the most important thing, knowing that this will drive change.

Value-add: looking for projects, processes or activities which add benefit to, or improve, the business. Activities that don't add value (financial or non-financial) should be avoided.

Initiative: a project or programme of projects the business considers as an opportunity for business improvement. This opportunity could be cost savings, increase of sales, increase of profit, brand improvement, etc.

Business Case: Also known as an 'investment appraisal'. This is a document that pulls together in a clear way all the financial and non-financial impacts of a chosen initiative. Considering these impacts in this way lets us see whether the business should or should not go-ahead with a chosen initiative. Cases are often presented to business leaders by Finance as part of the decision making process.

Profit: a financial gain. The difference between the amount earned and the amount spent in buying, operating, or producing something. (profit in your business case is shown by benefits minus costs). A loss is the opposite of a profit.

Revenue: The total amount of income made by the sale of the company's goods or services. The revenue number is the income a company generates before any expenses are taken out.

E.g. Tesco's 2020 revenue was £64.75bn, largely from the sale of groceries.

Gross Profit (simple): The total difference between the selling price of a product minus the purchase cost of a product (paying the suppliers of the products). If we sell a product to customers for £5, and we paid the supplier £3 for it, then gross profit would be £2.

Gross profit = revenue – cost of sales

Operating Profit: The profit a business makes after deducting operating expenses, depreciation and amortization.

E.g. for Tesco operating costs could be insurance, marketing costs, distribution equipment etc

Glossary

(2/3)

Depreciation and Amortisation: the concepts that an item's cost is spread out over a number of years. You depreciate physical property such as buildings or cars and you amortise non-physical property like trade marks.

E.g. The business buys a phone for £100 and uses it over 3 years. After 3 years it is now worth £25. The phone has *depreciated* by £75, (in this time the business has incurred £25 cost each year for three years – rather than £100 all at once).

Inflation: In simple terms, inflation increases the cost of goods and services over time, making money you earn today less valuable in the future.

E.g. £50 you earn today may be able to buy you a pair of £50 trainers today, but in a year's time the cost of the trainers will have risen by inflation (e.g. 2%) meaning the trainers will cost £51. If your income does not rise with inflation, the trainers will be out of your budget!. **RPI inflation** is one particular measure of inflation.

Profit margin: the percentage indicating how many pennies of profit the business has generated for each pound of sale. A common tool to work out the success of a business.

Commercial margin: the difference between the selling price and the supplier purchase cost. Similar to gross profit, however it focuses on individual products.

Operating margin: profit % a company makes on a pound of sales after paying for variable costs of production, such as wages and raw materials, but before paying interest or tax. E.g. £50 sales at 10% operating margin would mean £5 profit made.

Opportunity cost: The benefits forgone of the next best alternative. Choosing one option means you lose the alternative options – opportunity cost is the benefits you lose out on by not choosing the alternative options. E.g. you have £1 to buy either a £1 chocolate bar or a £1 packet of crisps. If you choose the chocolate bar, you miss out on the benefits of crisps – these benefits are opportunity costs. Businesses often face this as they have a limited amount of money to invest in new ideas or projects.

Cash: the physical money that enters and leaves the business. Cashless means moving away from taking physical cash as payment within stores.

Cash Flow: Cash flow is different to profit and a common phrase for companies is 'cash is king'. Cash is essential to a business! You need cash to pay employees, rent, suppliers etc.. Cashflow is the inflows and outflows of cash to the business. Businesses can make profits or losses from year to year and be successful, but if a business runs out of cash (negative cash flow) they are likely to fail. These leads to the concept of 'working capital' which means to manage the amounts and timings of cashflow in a business. Treasury is a specialist function that helps manage the business' cash.

Action: At the end of a meeting 'actions' are steps that need to be taken to implement meeting discussions points or decisions. At Tesco, we also call these 'next steps'.

Glossary

(3/3)

Proactive: creating or controlling a situation rather than just responding to it after it has happened. In a fast paced business like Tesco, it is important to be proactive in all we do.

‘Big Picture thinking’: This phrase usually implies thinking about the future and the wider context (e.g. economic, business, social environment) when making a decision or providing advice. There are always a large number of factors that should be considered when making a decision. For example, in a business case we should consider whether an initiative helps us hit both our financial and non-financial goals both now and in the future.

‘Landing the message’ / Influencing: getting your point of view or recommendation across to the viewer in a persuasive manner.

Small baskets: when customers buy a small number of items (e.g. 10 products including milk, bread and eggs). These baskets would be suitable for drone delivery!

First-mover advantage: some businesses can get more benefits if they try something new first. This could be because they receive more media coverage from doing it first so more customers associate that business with it.

Environmental commitments: These are promises businesses make to stakeholders in regards to limiting environmental impacts. Details of Tesco’s can be found [here](#)

Estate: reference to our stores or a group of stores

Fulfilment: the Tesco team that deals with delivering (fulfilling) an online order. Fulfilment covers our online grocery delivery services.

Insight: the Tesco team that provides analysis and details on anything from customer buying habits to our competitor’s pricing strategies.

Store-respacing: reducing the number of products in a store in one category to make room for more products in a different category. In the project scenario, this means to reduce the space and products for electricals and increase the space and products for clothing.

Transaction: the act of a customer buying a product from our store

Non-financial: any information not related to finances.