

CASE STUDY: TESCO

**TESCO MIGRATES CRUCIAL MAINFRAME
APPLICATIONS TO CREATE A COMMON
OPERATING MODEL THAT CAN BE QUICKLY
DEPLOYED ANYWHERE IN THE WORLD**



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CHALLENGE

The retail giant Tesco has aggressive plans for global growth and has expanded its international presence significantly, including penetration of the huge US market. A key element in its expansion plan is its common operating model, which called for crucial mainframe applications to be modernized to run on standardized platforms worldwide.

SOLUTION

- > Micro Focus® Studio™
- > Micro Focus® Server™

BENEFITS

- > Much lower cost than rolling out mainframe based solution
- > Can maintain a near single code base across the group
- > Functions quickly available to international operations
- > Ability to 'refresh' the user interface
- > Lower risk and much faster than trying to add new functionality to Oracle Retail or rewrite capabilities from scratch

OVERVIEW

Tesco plc is a major international retailer with over 4,200 stores in more than a dozen countries and annual sales in 2008/9 of £59 billion. Already the market leader in food in the UK, it is pursuing an ambitious growth strategy that involves becoming equally strong in non-food sectors and expanding its international businesses.

A key attribute of Tesco's management is the high priority they assign to technology as a business enabler. Tesco has always been at the cutting edge in the use of IT and views innovative technology as a major driver of growth and competitive advantage.

THE CHALLENGE

International growth is high on Tesco's list of priorities and the \$600 billion US food retail market, which is set to expand by 40% in the next five years, makes an attractive target. Tesco has tackled this lucrative market and embarked upon a bold launch of the Fresh & Easy store format there. The Tesco team is confident that the competitiveness of their operations will ensure success anywhere in the world.

Tesco's proven competitiveness in retail is in no small part dependent on its highly effective IT systems. This is especially true for its innovative Continuous Replenishment (CR) system, which drives store ordering and makes sure that what customers want is always available while minimizing waste. This unique application was developed by the Tesco IT department in the UK and encapsulates decades of retail expertise and experience.

The CR application plays a key part in generating tens of millions of pounds in profit for Tesco in the UK and more importantly, provides a very significant improvement in customer satisfaction.

The challenge was that the highly sophisticated stores ordering system resides on an IBM z/OS mainframe in the UK and Tesco wanted to make this intellectual property and associated competitive advantage available to the rest of its group where the data centers are based around IBM p servers running Oracle Retail under AIX.

Several options presented themselves to the Tesco team:

- > Upgrade UK mainframe capabilities and support international operations from UK using z/OS-based CR
- > Introduce mainframes and the mainframe based CR system into all international data centres
- > Build a new system from scratch for AIX and integrate it with Oracle Retail
- > Update the current Oracle Retail based replenishment system and enhance to include the unique capabilities available in CR
- > Make z/OS-based CR available on AIX (port it to AIX)

However, guiding Tesco's decisions is its common operating model, which defines how to build a set of repeatable processes and systems to support international growth. This involves the establishment of a standard computing platform using consistent technologies and then ensuring that all their key applications can run in this environment.

"Elements of our common operating model are already in place and benefiting some of our businesses. Micro Focus' modernization expertise is not only helping us maintain the momentum behind this strategic IT project, but is also playing a key role in the development of our United States presence."

Colin Cobain

Group IT Director at Tesco

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An important aspect of this flexible approach is that all versions of the enterprise applications have to be derived from common sources, even if they run on different platforms. This is essential to ensure that enhancements and fixes only have to be developed once and can be propagated consistently and quickly.

Given the company's dependence on its powerful z/OS mainframe in the UK and a global platform strategy based on IBM System p servers running AIX, plus the fact that IT is under constant pressure for new features, achieving the goals of a common Operating Model is challenging.

Tesco's executives knew that for global success they had to 'think globally and act locally'. This means that an instance of the crucial CR application would be needed locally, running on existing Tesco servers within their international operations to manage the local supply chain. The first four options were therefore quickly discarded as not fitting with its common operating model strategy.

It was this challenge that led Tesco to Micro Focus. The key feature of the Micro Focus solution was that it enabled Tesco to address its issues without changing the IT architecture within its current international operations structure.

THE SOLUTION

Migrating and replicating the critical application

With the US launch looming, the focus of Tesco's common operating model effort was on enabling the vital z/OS based CR application to run on its AIX servers. This application is vital to the venture as it regulates the flow of stock through the supply chain, from the farm-gate all the way through to the shelf edge.

Micro Focus' Application Migration and Modernization offering was chosen to port the CR application to the IBM System p server running the AIX operating system and integrate it with the existing Oracle Retail solution. Work on the project started in autumn 2006 and by January the Tesco IT team had a version ready to demonstrate and test on the new environment.

The time-to-market to deliver this unique and very sophisticated functionality was reassuringly short and the team was impressed with how well the Micro Focus tools worked. Also, compared to the long and risky alternative of developing a new application for the IBM System p server, or adding the functionality to Oracle Retail, the project was remarkably risk free and straightforward.

THE RESULT

Tesco went live with its powerful replenishment application in July 2007. It used Turkey as its initial trial operation to ensure any teething problems were addressed before Tesco tackled the roll out in time for the North American launch later in 2007. The migration approach taken has the added benefits of preserving the unique, proven functionality of the CR software and meeting the goal of a common source stream for both versions of the application.

Establishing the crucial CR application on the flexible IBM System p server platform has moved the common operating model strategy forward by a major step. Tesco is now poised to release its unique CR functionality, which provides it such a competitive edge in the UK, throughout their international operations. It can do this cost efficiently as it can deploy this major improvement to its supply chain system on existing data center environments with suitably sized servers for each specific international operation.

Tesco's IT managers believe it was the combination of the comprehensive Micro Focus solution together with expert assistance that led to success. They found that Micro Focus was able to quickly mobilize a group of experts to help them implement the software.

THE FUTURE

Continuing the journey to a comprehensive common operating model for their IT infrastructure will remain a priority for Tesco. This will allow them to respond efficiently to market demand and support operations efficiently anywhere in the world.

Tesco will always look to technology for competitive advantage and to better serve their customers. The Micro Focus solutions and services will play a key role in helping them generate maximum value from their application investments.

About Micro Focus

Micro Focus, a member of the FTSE 250, provides innovative software that allows companies to dramatically improve the business value of their enterprise applications. Micro Focus Enterprise Application Modernization and Management software enables customers' business applications to respond rapidly to market changes and embrace modern architectures with reduced cost and risk.

For additional information please visit: www.microfocus.com

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