

# Shopping for a Market

## Evaluating Tesco's Entry into Los Angeles and the United States

A Report of the  
Urban & Environmental  
Policy Institute

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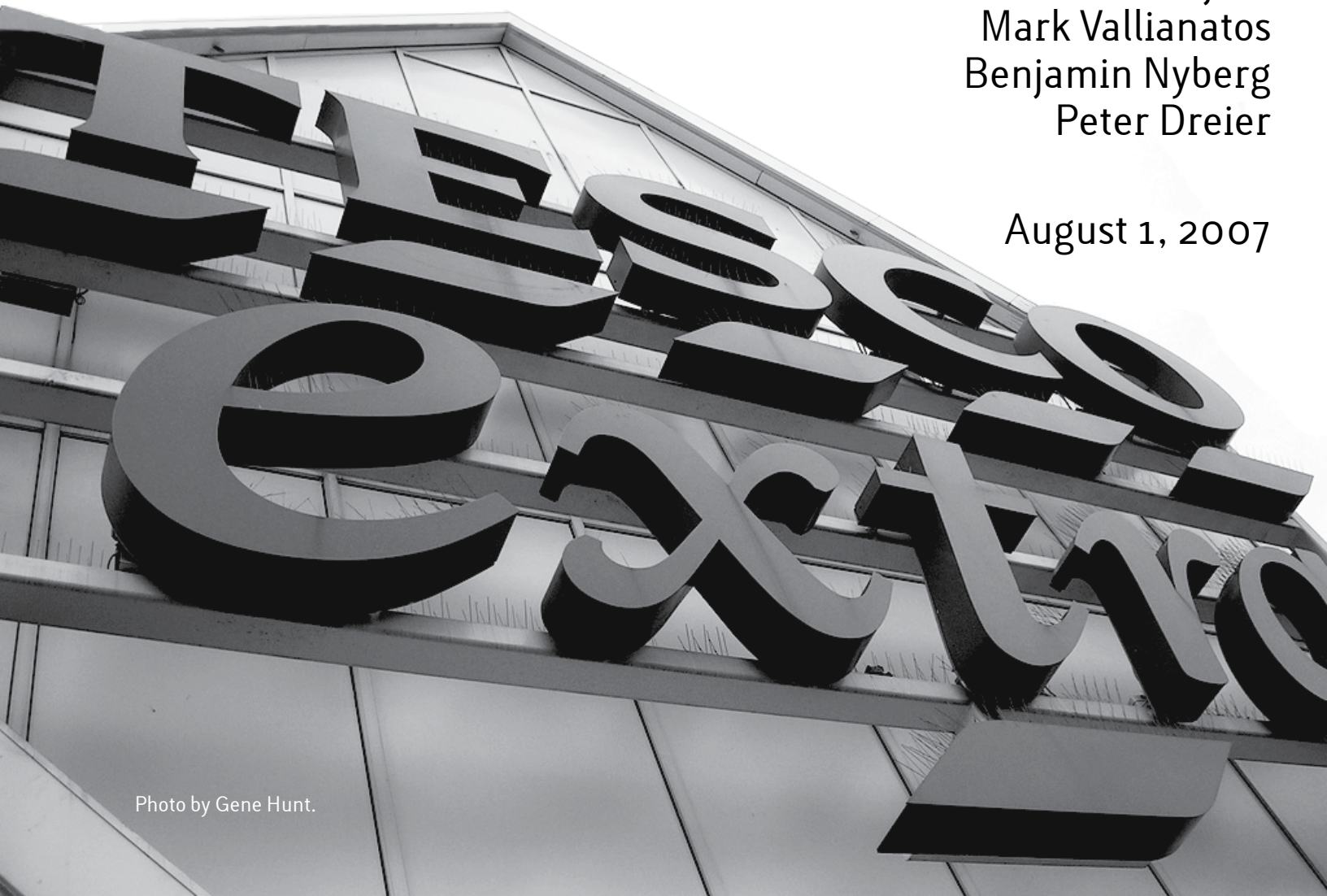


Photo by Gene Hunt.

# About this Report

Shopping for a Market has been produced by the Urban & Environmental Policy Institute (UEPI) at Occidental College. UEPI has several centers and programs, including the Center for Food & Justice that has been monitoring issues related to the food retail industry for a number of years. Previous UEPI reports on these subjects include *The Persistence of L.A.'s Grocery Gap*, *Food Access in Central and South Los Angeles*, *Thinking Outside the Big Box* and *Transportation and Food*.

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# Introduction

Tesco has emerged as the largest food retailer in the United Kingdom and is now the third largest in the world. As it prepares to enter the United States, it is important to provide a background portrait of Tesco's vast reach in the United Kingdom and its growing international operations, and to evaluate its marketing messages in the context of its actions.



Cashiers in a Tesco Store.  
Photo by Lee Jordan.

In the fall of 2005, Tesco, the world's third largest food retail corporation, quietly entered the United States to launch its most significant effort at global expansion. Tesco has already established itself as the largest food retail company in the United Kingdom with more than 30% of the market, and has a presence in a dozen countries in Europe and Asia.<sup>1</sup> Nevertheless, Tesco's executives have concluded that the United States offers the most lucrative opportunity for continued company growth. Tesco is "looking to build as big a business in the United States as it has in the United Kingdom,"<sup>2</sup> chief executive Terry Leahy commented to the British newspaper, *The Independent*, claiming that the U.S. market could easily accommodate such expansion in the food retail sector. To achieve that goal, Tesco plans to spend \$2 billion on its U.S. entrance and expansion, and hopes to turn a profit by 2009.<sup>3</sup>

Tesco's entry into the U.S. market comes at a moment when a number of issues are being raised:

inequitable food access in low-income communities; widening income gaps; environmental degradation; poor diet; questionable food safety; and a squeeze on small family farms and local producers. Each of these concerns is influenced by the dramatic restructuring and transformation of the food retail sector. This restructuring has now taken on a global dimension, with Tesco's decision to launch a new and potentially huge operation within the United States.

Tesco plans to open its first U.S. stores in four regions, including Los Angeles, San Diego, Las Vegas and Phoenix. The company has established a new brand name for its stores – the "Fresh & Easy Neighborhood Market" – based on small to medium sized stores (approximately 10,000-15,000 square feet) that emphasize freshness and convenience, including a substantial focus on ready-made meals. While the company has no immediate plans to expand by developing the other store formats it has established in the United Kingdom and other countries, such a possibility is always available.<sup>4</sup> Tesco has particularly developed a large number of its hypermarkets -- similar to Wal-Mart's Supercenter stores -- in numerous locations in the United Kingdom and around the globe.

The speed at which Tesco plans to enter and expand within the U.S. market is breathtaking. It is particularly bold in light of the uneven track record of other global food retailers, to establish or successfully sustain operations in the United States. Rather than follow in the footsteps of such food retailers, Tesco is not at this point seeking to acquire an existing U.S. company, but to develop an entirely new operation. It has even brought with it some of its major U.K. suppliers to help develop its U.S. supply chain and product packaging. Tesco currently plans to launch more than 100 "Fresh & Easy Neighborhood Markets" in the four targeted regions by the end of 2007 and into 2008. It has already begun plans to expand into a fifth region, Northern California, and anticipates a rapid expansion to other parts of the country in subsequent years.<sup>6</sup> An assessment by the investment financial services firm Credit Suisse observed that, "one major

attraction of the U.S. for Tesco is the relative lack of regulatory barriers,” and that since the U.S. “is a very open market” (unlike other mature economies) Tesco would not be “constrained to the same degree by planning, pricing and/or other trading laws.” The Credit Suisse assessment also noted that Tesco assumed that its “roll out” strategy combined with the ease of growing quickly in the United States would lead to success where other non-U.S. chains have failed.<sup>7</sup> However, there are also indications that Tesco’s commitment might not be open-ended and that the company may set a limit on how much it is willing to spend, and how long it will be willing to wait, before its operations become profitable.<sup>8</sup>

This report is being released prior to the opening of any Tesco stores in the United States to help inform policymakers and the public, as Tesco pursues its roll out strategy. The authors envision this as a continuing evaluation of Tesco’s U.S. operations and intend to examine future developments as they occur.

The report is organized in to three sections. Section I provides a profile of Tesco’s operations in the United Kingdom and other countries. It examines how the company has achieved its current position as one of the top multinational operations, with attention given to key issues that have relevance for Tesco’s U.S. plans. These include questions of food access and competition with other food retail operations; its workplace environment; its store operations and its relationships with its suppliers; environmental, nutrition, and health questions; its supply chains, branding,

and sourcing operations; and its expansion into international markets.

Section II examines Tesco’s U.S. plans. This section explores why the company decided to enter the U.S. market and how it has developed its roll out strategy. It details the store sites under consideration, its marketing initiatives (including its focus on environment and health) and its initial plans for developing a U.S. supply chain and distribution strategy. This section places Tesco’s U.S. plans in a broader context. It outlines briefly the evolution of food markets in the United States, and the development and persistence of a “grocery gap” between affluent and low-income areas. It also looks at how America’s changing food system is shaping the nature of the work force throughout the supply chain, as well as influencing the diversity of products available to consumers.

Finally, in Section III, the report offers a detailed set of recommendations and potential opportunities for public and community agreements with Tesco, including what have been characterized as “community benefit agreements” between private businesses, public agencies and community groups. In doing so, the report builds on the growing number of such agreements around the country, some of which were identified in two previous UEPI reports on the urban grocery gap and on Wal-Mart’s entry into the food retail business.<sup>9</sup>

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# Section 1: A Profile of Tesco



# Becoming Number One

Tesco's rise to dominance in the United Kingdom and around the world is relatively recent. It opened its initial stores – small operations of 500 square feet – in 1931, and for much of its history Tesco was a conventional retailer, known for its “pile it high, sell it cheap” approach to marketing and store image.<sup>10</sup> Its recent transformation and restructuring into an international powerhouse was primarily spearheaded by its current leadership team, led by Terry Leahy, who became chief executive officer in 1997, and Tim Mason, Tesco's marketing whiz, who became the president of Tesco's U.S. operations in 2006.<sup>11</sup>

Tesco's rise to number one in the United Kingdom has come about through a myriad of strategies and innovations. For example, Tesco's Clubcard<sup>12</sup> has fostered customer loyalty, while collecting detailed marketing information from shoppers. Its multiple store formats and online store have allowed the company to diversify into a wide range of non-food products and services, including garments, electronics, gasoline, financial and internet services, drugs and supplements, and even internment services. The company has effectively established mechanisms to assert control of its supply chain, including the integration of some of its U.K. suppliers for its in-house brands. Additionally, Tesco has become adept at marketing its products and promoting its image.

Tesco's real estate division is a major force within the company. Aggressive land purchases have provided opportunities for expansion and limited the number of available sites for its competitors. Tesco's landbanks<sup>13</sup> far exceed those of its main challengers, Asda, Sainsbury's and Morrisons, and are currently the subject of a government investigation.<sup>14</sup> Flush with real estate and needing cash, Tesco recently decided to sell some of its land holdings to raise nearly \$10 billion to fund its international growth, including in the United States.<sup>15</sup>

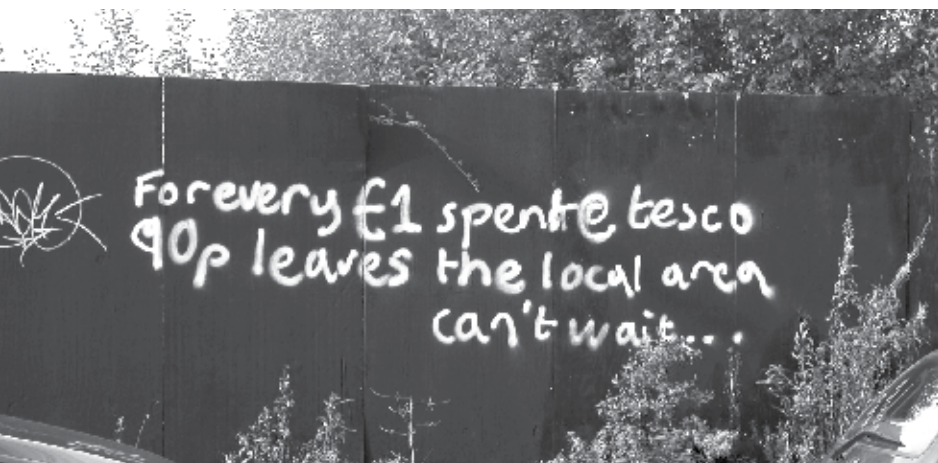
Tesco's global expansion has been impressive. In 1994, Tesco made its first successful move outside Great Britain when it opened its first store in Hungary.<sup>16</sup> It subsequently expanded into other Central European countries and Asian markets such as South Korea and Thailand. It now operates nearly 2000 stores (with 270,000 employees) in the United Kingdom, while globally (U.K. and non-U.K.) it operates more than 3200 stores in 12 countries with nearly 400,000 employees. Tesco's 2006 sales (food and non-food) reached more than \$56 billion, with a net profit of more than \$3 billion.<sup>17</sup> As sales at its various U.K. operations have grown more modest, Tesco's international operations,



in particular its U.S. venture, have emerged as key profit generators, and have become critical to the company's future growth.<sup>18</sup>

Nevertheless, Tesco's U.K. operations remain the largest part of its global activities, and it is a common refrain in the United Kingdom that one of every eight British pounds spent at food stores is spent at Tesco.<sup>19</sup> Tesco achieved its number one ranking in the United Kingdom in 1995, when it overtook the Sainsbury's chain. Since then, it has withstood challenges from Sainsbury's and the two other leading U.K. food chains, Safeway and Asda. Tesco outperformed Asda even after it became a Wal-Mart subsidiary in 1997. In fact, in 2005, Wal-Mart, the number one retailer in the world, sought an anti-trust investigation of Tesco; an action that caused Bert Foer, the president of the

Other Tesco products such as phone service and health insurance. Photo by markhillary.



Anti-Tesco graffiti.  
Photo by foolfillment.

American Anti-Trust Institute, to comment, “How delicious.”<sup>20</sup>

Tesco operates five different store formats in the United Kingdom, ranging from the Express at 3,000 square feet to the Extra at >60,000 square feet.<sup>21</sup> (See table 1) It has aggressively expanded into non-food areas, particularly through its Extra and Homeplus stores. The company has also proven to be the most successful online retailer in the United Kingdom, commanding two thirds of the online retail market and bringing in approximately \$2.5 million a day.<sup>22</sup> In order to market to consumers with a variety of income levels and food preferences, Tesco has developed seven different own-brand labels ranging from those that target low-income consumers (Tesco Value) to those that target high-end consumers and other specialty preferences (Tesco Finest, Tesco Standard Brand, Tesco Healthy Living, Tesco Organics, Tesco

Wholefoods and Tesco Kids).<sup>23</sup>

Tesco wields its size and influence around a wide range of public issues. For example, it has weighed in on recent debates about climate change, with Leahy stating that he wants Tesco to be a leader in “helping to create a low-carbon economy.”<sup>25</sup> However, Tesco’s huge presence and dominance of the U.K.’s food (and increasingly non-food) market has also generated criticism from a variety of sources. (See Box 1A) Its U.K. critics have joined to create a coalition, Tescopoly (www.tescopoly.com), that aims to curb the power of British supermarkets and to highlight the abuses of Tesco’s business model. Additionally, a number of books have been written about the company, including *Tescopoly: How One Shop Came out on Top and Why it Matters* by Andrew Simms of the New Economics Foundation.<sup>26</sup> Some of the criticism was reinforced by inquiries during 2000, and again in 2006-2007, by the Competition Commission, a public entity established through the Fair Trading Act of 1973, regarding the growing dominance of the food retail market by Tesco and the three other major U.K. food retailers.<sup>27</sup>

In response to its critics, Tesco has sought to market itself as a socially responsible corporation. (See Box 1B) The company has used a number of slogans -- including “be a good neighbor,” “a great place to work,” and “every little helps” -- to portray itself as socially responsible. In a Channel 4 *Dispatches* documentary about the rise of Tesco, Keith Vaz, Labor MP stated, “They’re very successful at dealing with critics. Whenever I put down a motion, criticizing Tesco, I’m telephoned by one of their very clever people at headquarters who offers to come and take me out to lunch or have tea with me. They must be taking the order paper home into bed with them to know exactly what every MP is asking about.”<sup>28</sup> In many ways, Tesco represents a global retail and *marketing* corporation, and has sought to position itself on diverse public issues such as food access, local sourcing, work place conditions, the environment and nutrition and health, while aggressively promoting itself as a good corporate citizen. Tesco’s critics strongly challenge Tesco’s marketing messages and criticize many of its actions. This report evaluates those arguments and counter-arguments in the context of Tesco’s operations in the United Kingdom and internationally.

TABLE 1<sup>24</sup>

Store Type	Size	Description
Extra	60,000+ sq. ft.	Combines food retail with non-food items such as electronics.
Superstore	20-50,000 sq. ft.	Traditional sized supermarket with an emphasis on food, but also selling some non-food items
Metro	7-15,000 sq. ft.	Small sized supermarket with ready-made meals.
Express	3,000 sq. ft.	Convenience store size with an emphasis on produce, alcohol and fresh-baked foods.
Homeplus	35-50,000 sq. ft.	Emphasizes non-food products, including clothing.

## Box 1A

## Tesco Critics

Tesco's dominant role in the United Kingdom has generated a number of critical publications, campaigns and government and public interest investigations. Below are four organizations that have created substantial campaigns and/or issued reports that have challenged Tesco's U.K. and global business activities.

### Tescopoly

Tescopoly was founded in 2005 as an alliance of multiple organizations, ranging from international NGO's, unions, environmental groups and local U.K. community organizations. It was established to "highlight and challenge the negative impacts [from] Tesco's behavior along its supply chains both in the United Kingdom and internationally, on small business, on communities and the environment." On its web site ([www.tescopoly.org](http://www.tescopoly.org)), the group also states that "growing evidence indicates that Tesco's success is partly based on trading practices that are having serious consequences for suppliers, farmers and workers worldwide, local shops and the environment."

The Tescopoly web site has itself become a central resource for information monitoring Tesco's activities worldwide, with particular attention to Tesco's impacts on farmers, workers, environment, food poverty, unhealthy food, animal welfare and local independent stores.

### Friends of the Earth

Friends of the Earth (FOE) is a large, internationally recognized network of environmental groups working to influence policy in support of "people and the planet." FOE in the U.K. ([www.foe.co.uk](http://www.foe.co.uk)) has focused considerable attention on Tesco and its effects on the environment, people and the planet. FOE has referred to Tesco and other large supermarket chains as "bullies" and references "The Tesco Takeover" in one of its supermarket reports. In addition, FOE has issued a series of press releases,

advertisements and reports that criticize Tesco practices, including "Tesco's Green Claims" and "The Tesco Takeover."

### Corporate Watch

Corporate Watch ([www.corporatewatch.org.uk](http://www.corporatewatch.org.uk)) monitors the activities of corporations and public officials and has expressed serious concern with Tesco's business model. As a research group that supports many of the campaigns that have successfully influenced corporations to reduce environmentally and socially destructive practices, Corporate Watch has also specifically compiled a comprehensive documentation on Tesco and its international practices. Its reports on these issues include, "Tesco: A Corporate Profile," and "Off the Peg: Tesco and the Garment Industry in Asia."

### War on Want

War on Want's ([www.waronwant.org](http://www.waronwant.org)) is an organization that "fights poverty in developing countries in partnership and solidarity with people affected by globalisation." The organization has specifically challenged U.K. supermarket chains such as Tesco and Asda/Wal-Mart with respect to suppliers in developing countries. Its reports on these issues include "Fashion Victims," ("which highlights the problems in garment factories that supply Asda and Tesco's cheap clothes") and "Growing Pains," (which exposes "the human cost of cut flowers.") These reports – and War on Want's own campaigns, including a 2007 shareholder resolution that gained considerable support at the Tesco annual meeting in June – are designed to demonstrate how "supermarkets increasingly hide behind voluntary standards such as the Supermarket Code of Conduct as a defence of their practices." The organization concludes, "...without effective audits and unions to give workers a voice, conditions are still below standard even where codes are in effect."

## Box 1B

## Tesco's Approach to Corporate Responsibility

Tesco argues that it aims "for the highest standards of corporate behavior."<sup>36</sup> The company website provides a number of examples of what it considers to be part of a corporate responsibility approach. It also publishes a Corporate Responsibility Review (CRR) document that identifies ten areas that constitute the CRR agenda as well as a set of performance indicators for each of the ten areas. In the 2007 CRR, the ten areas include:

- Corporate Responsibility in our Business
- Being a Good Employer
- Climate Change
- Sustainable Consumption
- Waste, Packaging and Recycling
- Farmers and Local Sourcing
- Retail and the High Street
- Health, Nutrition and Well-Being
- Ethical Trade and Developing Countries
- Charities and Community

The performance indicators then provide a set of goals for 2007-2008 in comparison to goals established the prior year.

Some examples include "to initiate six regeneration partnership stores;" "to exceed 80% retention of experienced staff" (although whether such staff were part-time or full-time is not identified); "to reduce by 8% in 2007/2008 the amount of CO<sub>2</sub> used in its distribution network per case delivered by its vehicles" and "to reduce energy consumption per square foot by 10%"; to increase sales of local products by 30%; and "to carry out independent ethical assessments of 100% of our high risk own-brand suppliers."<sup>37</sup>

Tesco has also created a company "Steering Wheel" to identify its business goals. Within the last year, Tesco added "Community" to the existing Customer, Finance, People, and Operations spokes on its wheel. Tesco stated that adding the Community spoke, with its two slogans, "Be Responsible, Fair and Honest," and "Be a Good Neighbor," was "a significant step in building our commitment to community, corporate responsibility, and sustainability."<sup>38</sup>

# “Food Deserts”

## Food Access Issues

Tesco’s role regarding “food deserts” – where low-income residents have limited access to fresh and healthy food – has been a significant and at times explosive issue, due to the giant retailer’s huge presence throughout the United Kingdom, its enormous real estate acquisitions and influence over land use, its aggressive efforts to bypass or avoid regulations, and its squeeze on small independent stores in town centers. In response to criticism, Tesco has touted the development of its smaller stores as increasing fresh food access and has also pointed to its “regeneration partnerships” that are promoted as creating economic opportunities in low-income communities. This section examines these contrasting positions regarding Tesco’s impact on food access.

During the late 1990s, a number of studies in the United Kingdom introduced the concept of “food deserts”<sup>29</sup> to describe a growing problem -- the lack of access to an affordable, healthy diet in low-income communities. A number of factors were identified, but one common thread pointed to the transformation of the food retail sector, with its increasing concentration into a handful of chains, led by Tesco. Studies showed that these large chains were locating bigger stores, including hypermarkets, at the periphery of towns, which in turn led to the decline and displacement of smaller, independent food retailers that had been fixtures in their communities. The loss of competition in the United Kingdom was also associated with a reduction in choice of the types of food available, particularly for low-income residents. This included healthy food options as well as the increased prevalence of processed food, unhealthy food items with high sugar, fat, or salt content, and low-priced alcohol products.<sup>30</sup> The grassroots community campaigns that subsequently developed around such food access issues helped stimulate a widespread public debate about the need to improve the local food retail economy.

As the leading food retailer, Tesco was a particular target of those community campaigns. In several instances, local community opposition to the locating of a Tesco store led government officials to postpone or prevent issuing the needed permits, or required Tesco to alter its plans. (See Box 2) Tesco responded to the criticism of its role in creating food deserts by establishing what it called “regeneration partnerships.”<sup>31</sup> The partnerships were part marketing strategy to respond to its critics, and part investment opportunity to locate in areas that other retail chains had abandoned. Tesco became adept at linking with local community organizations to identify and reclaim

abandoned or underutilized sites, train and employ local residents, and help to regenerate economically troubled areas.<sup>32</sup> In some cases, Tesco accomplished its regeneration goals, but on occasions, the company has operated such partnerships in a manner that subverted and manipulated planning laws. (See for example, Stockton site in Box 2).

The impact of Tesco’s new store developments on health and diets in low-income communities continues to be debated within the United Kingdom. For example, a study of a store in the Seacroft area of East Leeds found a modest improvement in the diet of area residents after a Tesco regeneration store opened.<sup>33</sup> Conversely, a study of a new Tesco development in the Glasgow area found that while a third of the residents switched to the Tesco store, the hypermarket “did not appear to have significant effects on the diet of the local community.”<sup>34</sup> The researchers also pointed out that product mix was significant in its impact on diet, and that the Tesco store provided a wide variety of unhealthy as well as healthy items. The study determined that product placement (the location of particular items within a food store) and product availability were important factors in influencing purchases, particularly unhealthy items such as “large tins of confectionary” and high sugar Sunny Delight fruit drinks that were prominently and attractively displayed in the Tesco hypermarket.<sup>35</sup>

A second area in which Tesco’s store developments have been debated relates to store locations, land purchases and land use planning issues. Tesco’s domination of the food industry in the United Kingdom affects whether and where other companies are able to locate, especially smaller independents firms. These issues became an important focus of the Competition Commission whose proceedings

also included third party submissions that characterized Tesco's aggressive land purchases and efforts to influence the planning and permit processes as a strategy to squeeze out local competitors, undercut local opposition, and establish full market dominance. The critics also identified the use of dummy or "front" companies, inaccurate information about store size to disguise its plans and misleading information about the degree of local support for its developments.<sup>39</sup> By undercutting prices in urban centers, Tesco's hypermarkets have thus had the impact of exacerbating the decline of urban core areas, according to local officials and community groups in those communities.<sup>40</sup>

Moreover, Tesco, in conjunction with other supermarket chains, has been effective in influencing U.K.-wide planning policy in favor of continuing to allow large market development. In 2007, for example, Tesco, along with Asda and Sainsbury's, wielded its influence to persuade the British government to scrap the "needs test" that had been established in 1996 to impose environmental standards on new retail development. The "needs test" required retail chains to prove that there was an identifiable need for additional retail space before development could proceed; a provision that had been key in protecting historic town centers.<sup>41</sup> Tesco's lobbying in this case helped protect its ability to continue to develop its large stores, particularly its hypermarkets.

In response to criticisms about store size and omnipresence, Tesco has argued that its efforts to locate new stores have increased food access and improved local economies. This includes increased opportunities through its hypermarkets or through

its rapidly growing small Express stores, which, as an academic study funded by Tesco found, provides access to fresh food otherwise available in supermarkets.<sup>42</sup> Tesco has also asserted that the sheer number of its stores in the United Kingdom has reduced the nation's food desert problems. A Tesco store, the company says, is now located within a thirty-minute drive in most parts of the United Kingdom, a factor due to its aggressive store expansion, including locating more stores outside urban core areas. The combination of saturating multiple regions with its stores, maintaining a low or competitive price for its products, and establishing some regeneration partnerships to overcome lack of food access in certain communities, essentially constitutes Tesco's rejoinder that it seeks "to serve everyone whatever their social, cultural or ethnic background."<sup>43</sup>

In sum, food access remains a significant issue in the United Kingdom, and Tesco's role remains central to whether and how the food access question is addressed. On the one hand, Tesco's role in restructuring the food retail sector, particularly its more predatory practices, as well as locating an increasing number of huge Extra hypermarkets at the edge of towns, has influenced the loss of independent food stores and extended the problem of food access. On the other, Tesco's massive reach, including the development of its smaller Express stores, may potentially increase access to healthy food in areas that are lacking full-service food stores. Nevertheless, access cannot be considered separately from questions about what products are available, where they are sourced, their land use impacts and whether they undermine or enhance people's food choices.

## Box 2

## Conflicts over Tesco Practices

### Use of Pricing

One of the major concerns of the Competition Commission has been use of what are called “predatory practices” such as pricing, as well as the manipulation and avoidance of local regulatory and planning oversight regarding land use and store location issues. On the question of pricing, one particularly noteworthy example involved Tesco’s pricing strategies that impacted Proudfoot, a popular local supermarket in Withernsea. Proudfoot, which had won an award for the best independent retailer of the year in 2002, also offered, besides food, Post Office services, a restaurant and car park. Following its unsuccessful attempt to purchase the Proudfoot Supermarket, Tesco opened a competing store that sought to undercut Proudfoot by offering customers £8 off for every £20 spent in their Withernsea branch. This amounted to a 40% discount across the board that indicated a strategy involving below-cost selling. Further, this price war strategy was limited to the Withernsea store, which in turn undermined the viability of the Proudfoot Supermarket, turning it into a marginal operation. Once the pricing strategy achieved its goal of weakening its competitor, Tesco’s prices returned to a level closer to the national average.<sup>44</sup>

### Planning Issues

In 2003, Tesco proposed a regeneration store in Stockton. The planning council, worried about the impact the new store would have on traffic and local businesses, limited the size of the

proposed Tesco store. However, Tesco ignored the council ruling and built the store at the size the company had initially proposed – 20% larger than the approved size. The council members were outraged, but felt their hands were tied—if they ordered Tesco to tear down the store (which they had the authority to do) they would lose the 500 jobs the store would bring to the community.<sup>45</sup> Richard Kemp, Deputy Chairman of the Local Governments Association and 25 year veteran of the Liverpool City Council said, after conceding to Tesco about a new store site, “Tesco’s are far more predatory and aggressive than anyone else that I’ve ever dealt with. I’ve no doubt at all that they do bully councils and that they do bully councilors in the way they go about things. This is a real David vs. Goliath battle.”<sup>46</sup>

Similar to the Stockton situation, from 75 to as many as 100 different U.K. townships and neighborhoods have opposed Tesco plans to expand operations in their areas. Several intensive community campaigns have been organized to stop specific Tesco planning permit applications and prevent what the groups have characterized as Tesco’s attempt to undermine local autonomy and turn a local area into a “ghost town.” In 2007, local groups in such towns as Finchley, Yiewsley and Tolworth in greater London succeeded in stopping Tesco plans to enter areas where local retailers were already established. These victories demonstrated that “local Councils can stand up to huge retailers,” as one local official put it.<sup>47</sup>

# Workplace Issues

## A Great Place to Work?

Tesco prides itself as being a good employer and highlights what it calls its “pioneering partnership” with the union that represents its store employees.<sup>48</sup> That union partnership stands in contrast to Tesco’s more contentious labor relationships with other U.K. unions and in several of its international operations. Tesco suppliers have also been sharply criticized for workplace abuses. This section examines Tesco’s workplace record as well as that of its suppliers and subcontractors.

As the U.K.’s largest employer with 260,000 employees, and with nearly 400,000 employees worldwide, Tesco plays a powerful role in determining key workplace issues, such as wages, working conditions, union representation, health and safety concerns and the overall workplace environment. Tesco’s reach is not limited to those who work at Tesco’s stores and at its corporate offices. Tesco’s web of influence, as a purchaser of goods and services, includes a vast supply chain, involving substantial numbers of contractors and subcontractors. The wages, benefits and working conditions of these operations, in turn, are significantly influenced by the conditions set by Tesco.

In the United Kingdom, Tesco prides itself that its stores are a “great place to work.”<sup>49</sup> It emphasizes the loyalty of its employees and its good working conditions. Tesco employees have been unionized since 1969, represented by one of the U.K.’s largest unions, the Union of Shop, Distributive and Allied Workers (Usdaw). The union’s largest unit is Tesco, with more than 120,000 members, or nearly a third of Usdaw’s entire membership. Tesco promotes its relationship with Usdaw as a model of employer-employee partnerships. Instead of the typical approach of collective bargaining, Tesco has established “partnership agreements” with the union on a range of issues that help establish joint annual agendas. Also unique, Tesco encourages its store employees to join Usdaw through a tear-off union membership form on job applications. The most recent Tesco-Usdaw partnership agreement specifies the union’s ability to recruit each new Tesco employee at a 30-minute session, where information packets are made available and where a Tesco-Usdaw “partnership video” can be screened. According to Usdaw General Secretary John Hannett, the Tesco-Usdaw partnership agreements are “one of the best, if not the best, trade union/company agreements in Europe.”<sup>50</sup>

Tesco’s willingness to establish partnerships with its employees’ unions does not extend throughout its work force. In 2001, members of the Services,



Industrial, Professional and Technical Union (SIPTU) and the Mandate union, threatened a strike at all of Tesco’s 76 stores in Ireland due to pay rates that were lower than competitors in other Irish stores, an issue exacerbated by Tesco’s reports of increased profits and handsome bonuses for company executives. The strike action was called off after Tesco agreed to a pay increase.<sup>51</sup> In a more recent example, in Scotland, Tesco’s truck drivers, represented by the Transport and General Workers Union, engaged in a bitter three-day strike during a peak shopping period between May 24 and May 26, 2007. Tesco was criticized as “behaving in a truly draconian fashion which puts one in mind of the behavior of 19th Century pit-owners,”<sup>52</sup> according to the area’s member of Parliament, Jim Devine. The strike was precipitated by Tesco’s decision to close down several existing warehouses and transfer workers to a new national distribution center, where they would

Tesco cashier checks out a customer.  
Photo by griff le liff.

## Tesco promotes its relationship with Usdaw as a model of employer-employee partnerships.

be paid on a different, and, in some cases, lower, pay scale. Tesco argued that it was simply offering an alternative method of payment – “changing the way we pay our existing staff - not what we pay them,”<sup>53</sup> according to a company spokesperson. However, the Scottish paper, the *Edinburgh Evening News*, reported shortly before the strike that Tesco had offered drivers at another haulage firm as much as \$1,000 each, as well as food and drink and hotel accommodations, to make deliveries during the strike period. The drivers refused the offer once they learned they would have to cross picket lines. The union and public opinion finally pressured Tesco management to open negotiations on these issues after the union threatened a second strike that was to take place on June 5th.<sup>54</sup>

Beyond the issue of restructured jobs, critics have suggested that Tesco’s transfer policies and redundancy actions<sup>55</sup> in fact constitute a first step in eliminating more contentious unions as well as ultimately laying off workers; concerns that have emerged in other Tesco redundancy actions where existing warehouse work has also been reorganized. In recent weeks, for

example, Tesco has announced redundancy plans for as many as 400 of its 1500 warehouse workers at the Milton Keynes area in Fenny Lock.<sup>56</sup> A similar dispute to the Scottish situation has been brewing at another Tesco distribution center in Wales, where concerns have been raised concerning the substitution of lower paid “agency workers” brought in from Poland and Slovakia.<sup>57</sup>

In other countries, too, Tesco’s relationships with employees and their unions have at times been problematic. In Czechoslovakia, after Tesco took over several stores owned by the French retailer Carrefour, it clashed with unions who opposed Tesco’s plans to hire temporary employees in place of permanent staff. In Turkey, the law mandates that for a union to be recognized, more than 51% of a company’s employees must be signed up for union representation. Despite the workers achieving such a majority, Tesco sought to pressure employees to resign from the union, in an effort to reduce union membership below the 51% figure.<sup>58</sup>

### Box 3

## Workplace Issues Along Tesco’s Supply Chain

Work place issues along Tesco’s supply chain include abuses due to the practices of suppliers and subcontractors as well as the pressures imposed by Tesco. T&G union members employed by S&A Producer, Tesco’s major strawberry supplier, for example, protested the company’s unfair treatment of workers, including excessively long shifts, inadequate worker supplies and unfair charges for medical and administration dues.<sup>59</sup> In another example, Britain’s Transport and General Workers Union threatened a strike in 2007 against Grampian Foods, pork and poultry processors and a Tesco supplier, over pay freezes, pension cuts and increasing casualisation (a process by which long-term, full-time or contracted employees are given more “casual” and less secure working positions). In this case, Grampian finally agreed to provide a 4% pay increase which the union accepted, although the deeper structural issues associated with casualisation still remained.<sup>60</sup> These types of U.K. workplace/supply chain issues are in part a direct result of the price pressures, flexible labor demands, and just-in-time growing and processing of its products required by Tesco to maintain its low-price, high volume retail signature. “The way we operate is cheaper for Tesco” situates one of the operational goals in Tesco’s “Steering Wheel” for measuring performance and sets the context in which supply chain issues develop.<sup>61</sup>

A 2006 report by the United Kingdom non-profit group ActionAid highlighted some of those issues, particularly the squeeze

on various Third World suppliers, such as South African fruit farms, that supply Tesco stores around the world. According to ActionAid’s submission to the Competition Commission, which paralleled findings by Oxfam and several academic studies, this squeeze on suppliers resulted in below minimum wages; exposure to dangerous pesticides and other dangerous working conditions; excessively long hours; increased use of temporary contracts in place of full-time employees; forced overtime; and poor housing conditions for the agricultural work force, including lack of water and electricity.<sup>62</sup> Tesco argued in turn that “no evidence has been found to substantiate any of the claims made,” but that it would use independent multi-stakeholder audits [in the future] to reassure ourselves and others that the stringent standards we expect are in place and maintained.”<sup>63</sup>

When Tesco has been faced with sharp criticism about its subcontractors’ abuses, the company has at times reversed policies. One example unfolded after a November 2006 report documented widespread abuses by a key Tesco contractor, the large food processor Katsouris.<sup>64</sup> The abuses included preventable worker injuries such as loss of worker fingertips resulting from unsafe working conditions when the company increased the speed of the processing line at the company plant in North London. The report noted Katsouris’ poor safety record, including two or more worker injuries a day. The GMB union had in fact nominated Katsouris as the employer with the

## Box 3

## Continued

worst safety record in Britain.<sup>65</sup> In response to these accusations, Katsouris' parent company, Bakkavor, argued that, "today's food retailing environment is challenging. The last couple of years have marked an unprecedented period of continuous pressure."<sup>66</sup>

Media exposure of these working conditions, public outrage, as well as an investigation by the Competition Commission about workplace and food safety problems led Tesco to pressure Katsouris to change its health and safety procedures. Tesco sent its own team of inspectors to visit Katsouris' north London processing plants, where they found a number of areas for improvement. Tesco subsequently stated that it would work with Katsouris "to develop an action plan to achieve this improvement and we will be carefully monitoring its progress."<sup>67</sup>

Government watchdogs, consumer groups, and unions have welcomed Tesco's pledge to police its subcontractors, but beyond this specific change, Tesco has not directly addressed the underlying structural problem of how its contractors organize their production. In fact, the concern over supply chain pressures extends even to Tesco's mid-level management. In 2007, Tesco lost much of its development team (including the development director, program director and company architect, among others) because, as Building reported, "The chief executive of one of Tesco's main contractors said the supply chain was being "screwed down as far as possible to save money" and that some of his staff now refused to work on Tesco's projects because of the group's increasingly "cut-throat and aggressive methods."<sup>68</sup>

Tesco's labor relations have been compounded by its extensive network of suppliers and subcontractors, both in the United Kingdom and in other countries. (See Box 3) This includes the agricultural labor associated with the growing and processing of food, and the increasing use of contractors and subcontractors to supply non-food items such as garments.

In the 1990s, Tesco established, through one of its main suppliers, Natures Way Foods, a set of subcontracting relationships with other farms and labor contractors. These labor contractors, known in the United Kingdom as "gangmasters," supply up to 100,000 workers a year to farming and fishing industries. They have been criticized for a wide range of abuses of the largely migrant and female contract workers, including agricultural workers within Tesco's supply chain. These abuses include failure to pay employees for their work, payments below the legally-mandated minimum wage, excessively long work shifts, employees evicted from their company-owned housing, failure to provide water and electricity for company-owned housing, document fraud affecting migrant workers, and worker fears of physical retaliation for making complaints.<sup>69</sup>

When *The Guardian* reported on abuses from several of Natures Way subcontractors after a year-long investigation of gangmaster practices in the Sussex region, Tesco said that it took "its responsibilities very seriously and while we don't pretend to get things right every time, we always act swiftly if any issues are identified."<sup>70</sup> Tesco has also maintained a policy that it could not take direct responsibility for any specific gangmaster abuses, arguing that its vast network

of suppliers and subcontractors makes it nearly impossible to monitor such problems.<sup>71</sup> Many American companies, including Nike, Wal-Mart and other multinationals, have offered this same response when critics point out abusive working conditions among its subcontractors around the globe. However, a number of global companies have acknowledged their moral and even legal responsibility for such abuses. In California, the state legislature enacted a law making garment companies like The Gap legally responsible for workplace abuses by their subcontractors, since subcontractors work under terms imposed by the large department stores and clothing labels.<sup>72</sup>

Tesco has also argued that it has supported improved working conditions along its supply chain, pointing to its acquisition of fair trade products as well as its participation in the voluntary Ethical Trading Initiative (ETI) that seeks to establish a code of conduct regarding supply chain labor issues.<sup>73</sup> Critics point out, however, that so long as these standards are voluntary, and lack any objective enforcement mechanisms, they cannot be relied upon to improve working conditions among Tesco's suppliers.<sup>74</sup> A recent report by the human rights group, War on Want, pointed to the gap between promise and reality in the Ethical Trading Initiative's statement about working conditions. The ETI stated that workers were not to work more than 48 hours per week, with at least one day off, and that overtime was not to exceed 12 hours. The investigation of the garment factories that supply Tesco stores found that working conditions "far exceeded this maximum."<sup>75</sup>

This lack of enforceable accountability has led

**They [gangmasters] have been criticized for a wide range of abuses of the largely migrant and female contract workers within Tesco's supply chain.**

to various campaigns to make Tesco (and its counterparts) more directly accountable for working conditions among its contractors. Specifically, submissions to the Competition Commission called for mandatory compliance requirements to be extended throughout the supply chain, while also strengthening accountability provisions. Additionally, a resolution prepared for the June 2007 Tesco stockholders' meeting called for "appropriate measures, to be independently audited, to ensure that workers in its supplier factories are guaranteed decent working conditions, a living wage, job security, freedom of association and of collective bargaining including, where available, the right to join a trade union of their choice."<sup>76</sup> The presentation of the shareholder resolution led to a contentious annual meeting, and included testimony from a South African

fruit picker and a Bangladeshi garment worker. Nearly 20% of the shareholders agreed to the resolution, an unprecedented vote rebuking the Tesco management.<sup>77</sup>

While other supermarket chains, including Wal-Mart and its U.K. subsidiary Asda, have also been criticized for their supply chain labor relationships, Tesco has received a great deal of attention regarding workplace concerns--especially in light of the company's promotion of its commitment to corporate social responsibility. Its successful partnership with Usdaw may help make Tesco a "great place to work" in the United Kingdom, but the experience of workers in Tesco's international stores, as well as along its supply chain, challenge the company mantra.

# Environmental and Nutrition and Health Issues

Tesco has said that it wants to, "...help deliver a revolution in green consumption,"<sup>78</sup> through its initiatives around climate change and other environmental concerns such as energy use and waste generation. The company has also indicated that it wants to identify ways to improve the health and nutrition of both customers and employees. The individual consumer has been the target of most of these initiatives, including educational labeling and Tesco Clubcard incentives. Some Tesco critics have faulted aspects of the company's track record on the environment and its mixed signals on health-related issues. This section examines several of Tesco's environmental and health-related initiatives.

In recent years, food retailers, including Tesco, have been among the businesses receiving scrutiny regarding their environmental practices and carbon footprint.<sup>79</sup> Such retailers use substantial energy to power their stores, rely heavily on trucks and air transport and sell products with environmental impacts of their own. Historically, Tesco tended to fare poorly regarding some of its environmental impacts, even as compared to some of its food retail competitors. However, during the 1990s, Tesco became particularly sensitive regarding its environmental profile and initiated several programs to reduce waste generation and encourage recycling, as well as reduce its overall energy use. Despite specific energy reduction initiatives, its overall energy use did not decline, due in part to store expansion.<sup>80</sup>

Through the next decade, Tesco honed its environmental message and implemented a number of environmentally oriented programs. Its most dramatic initiative aimed at securing an environmental reputation came in January 2007, at a Tesco-sponsored forum, where Leahy announced Tesco's new approach regarding climate change. At the forum, Leahy asserted, "I am determined that Tesco should be a leader in helping to create a low carbon economy." Three months later, Tesco joined British Prime Minister Tony Blair and executives from British Gas and Marks and Spencer to announce their "eco-friendly"/"We're in This Together" crusade. At this press event, Leahy asserted that firms like Tesco "now need to build climate change in their business model."<sup>81</sup>

Tesco's new climate change/greenhouse gas reduction approach included continuing initiatives around energy use (e.g., lower energy lighting) and employing new technologies in the construction of its stores and warehouses, and paying some attention to the sourcing and transport of its products. The

company's most ambitious plan involved the development of a "carbon label" identifying the amount of carbon released in the production and transportation of each of its products. Such a label, which Tesco hopes will become an industry standard, is to be developed through research contracted with the Environmental Change Institute at Oxford University. The carbon label is also designed, according to Leahy, to raise consumer awareness and establish individual responsibility for the environmental consequences of product choice, similar to the decision to select a product with an organic or fair trade label. Along those lines, Leahy has also spoken of developing a "Sustainable Consumption Institute," identifying the consumer, rather than the producer or the retailer, as the focus of the company's climate change initiative.<sup>82</sup>

As part of its focus on the consumer, Tesco has promoted its "Green Clubcard" point system, utilizing its popular club card program to demonstrate environmental commitment. Shoppers are able to accumulate Green Clubcard points through such activities as reusing a bag for groceries rather than requesting a new one (one point), recycling mobile phones (500 points), or recycling old inkjet cartridges (100 points). In addition, Tesco has highlighted its own store-related recycling initiatives for such items as paper, cardboard, and plastic.<sup>83</sup>

Tesco has further positioned itself as supportive of fair trade and organic products, and has sought to feature a range of organic products at its stores. Along those lines, Tesco approached environmental garment manufacturer Katharine Hamnett to create a line of fair trade organic cotton products to highlight and sell at Tesco stores. Hamnett recalled that at first she felt like she was "walking into the jaws of hell," but also wanted to seize an opportunity where organic cotton products, in particular her "Choose Love" line of organic t shirts (with such slogans as "Worldwide

Hamnett felt like she was "walking into the jaws of hell," but also wanted to seize an opportunity where organic cotton products have wide exposure.

Nuclear Ban Now” and “Save the Future for Me” for children’s t-shirts) would have wide exposure. Tesco signed contracts with several organic cotton farmers to supply the cotton and agreed that the manufacturing conditions would comply with the Ethical Trading Initiative labour code. “The only way that people will produce ethically and environmentally is if they can make money out of it. If Tesco can make money out of it, other manufacturers will do the same,” Hamnett said of their relationship.<sup>84</sup>

However, Tesco’s environmental initiatives, including its climate change program, have also been subject to criticism when some of the company’s practices appear to undercut its environmental objectives. Although Tesco prides itself on highlighting organic products in its stores, concerns about highly toxic pesticide exposure have been raised in relation to some of the company’s suppliers.<sup>85</sup> For example, in 2006, *The Guardian* reported that a government agency found residues of the fungicide carbendazim, a possible carcinogen and suspected hormone disruptor, on Tesco’s organic garlic, which is imported from Spain. The residues were found at the maximum legal safety level set for non-organic produce for about 40% of the organic garlic tested, while a small number (approximately 2%) exceeded the legal limit. Tesco objected to how the information was highlighted in the report and said it was taking steps to control the problem. Other imported products, such as apples from South Africa, sold in both Tesco and Asda stores, were found in another survey by a government agency to have significant pesticide residues.<sup>86</sup>

Tesco’s climate change initiative has appeared particularly vulnerable to the company’s various cost-cutting techniques. Long distance supply chains and tax avoidance strategies are both areas in which profitability concerns outweigh environmental consideration. One complicated arrangement involves CDs and DVDs shipped by Tesco through its internet buying service. When a customer orders a CD or DVD, a distribution firm in London packs it in an envelope. These envelopes are then put in crates and sent to a large warehouse in the canton of Thurgau in Switzerland, “in enormous articulated lorries that plough across the quiet Swiss countryside,” as one newspaper account described it. The envelopes are then “posted” from Switzerland to customers in the United Kingdom in order to avoid paying a large (17.5%) value added tax (VAT) on each product. The journey to and from Switzerland adds an extra 1400 miles to the distribution route of a DVD, resulting in

a striking increase in the product’s carbon footprint. This procedure was defended by Tesco since it allowed the company to “continue to offer these great prices for our customers.”<sup>87</sup>

Issues have also been raised regarding land use impacts. In Hungary, for example, Tesco’s plans to build a hypermarket south of Budapest were opposed, since the store would have been located on forestlands that served to create an air and noise pollution barrier between the town of Dunaujvaros<sup>88</sup> and the Danube Iron Works plant. Tesco argued that the forest no longer fulfilled that function. In this case, the opponents, including workers from the plant who had originally planted the oak, hornbeam and pine trees, prevailed.<sup>89</sup> Environmental activists in Shepton Mallet, Somerset, were not as successful at protecting the woodlands in their community, when Tesco won a high court hearing and proceeded to cut down 200 mature trees to construct a new store.<sup>90</sup>

In addition to its focus on the environment, Tesco has sought to develop a high profile in the area of health and nutrition. These have included product reformulation, educational product labelling and employee focused initiatives. (See Box 4) During the period when low-carb diets were in vogue, for example, Tesco established a “Carb Conscious” logo to be placed on as many as 120 items such as cheese, nuts and fish that were “naturally low in carbs.” In addition, Tesco unveiled 40 new Tesco brand products that were low or lower carbohydrate versions of standard bakery products and ready-made and frozen meals. “We now have the largest range of low and lower carbohydrate products of any U.K. retailer,” asserted Hamish Renton, Tesco’s project and brand leader for health.<sup>91</sup> Tesco has also developed low cholesterol products that use plant sterols in place of traditional fats and oils. With half the U.K. population experiencing high cholesterol levels, Tesco hoped to become the market leader in what industry figures define as “health food.”<sup>92</sup>

Tesco’s health and nutrition approach, similar to its approach towards climate change, has focused on providing consumers information about specific products through labelling. In 2005, the World Health Organization issued a set of recommendations regarding diet-related health issues. The following year, the City University Centre for Food Policy conducted an evaluation leading U.K. retailers, processors and food service companies regarding how they addressed key recommendations. The City University researchers reviewed company policies, actions and commitments on a wide range of health-related issues. The report

indicated a mixed performance regarding Tesco. On the one hand, Tesco had established specific health-based programs at the stores, had pursued some attention to particular ingredients (e.g., salt), and had incorporated health and nutrition into its corporate social responsibility mission. On the other hand, Tesco had not addressed some key health-related issues involving labeling of products with high sugar, fat and transfat content. Tesco subsequently established labels for such items in its in-house product line, and stated that it would also seek to reduce fat and salt content, among other product modifications.<sup>93</sup>

The labeling issue was of particular note since the U.K. government's Food Standards Agency (FSA) had launched a "traffic lights" color-coded label, where foods are labeled red, amber or green according to their sugar, salt and fat content. Tesco rejected the traffic lights approach and instead took the lead, in collaboration with Coca Cola and Cadbury Schweppes, to enlist more than 20 food manufacturers and retailers to launch their own labelling initiative that was designed to provide more detailed nutritional information. Since other retailers, including Sainsbury's and Asda, had signed on to the simpler and clearly marked traffic lights program, the more complex Tesco-initiated label, which was used on more than 4000 Tesco products, came under fire from some health advocacy groups, who asserted "that the numerical skills needed to read the new guidelines [would] be too complicated." A study by the FSA found that while customers preferred traffic lights to all other systems, Tesco's system was the least consumer-friendly.<sup>97</sup> But Tesco has defended



its labeling system as providing important information that could benefit shoppers seeking a more healthy diet.<sup>98</sup>

Perhaps the most sensitive health-related issue for Tesco and many of its competitors has been the question of food safety. At the 2006 Campden Day lecture, Leahy asserted that, "For Tesco, food safety is the absolute rock on which our relationship with customers is built. They will only shop with us if they

Nutrition facts on one of Tesco's packaged sandwiches. Photo by leogomez.

## Box 4

## Tesco's Store-Based Health Initiatives

Tesco has utilized its stores for health and nutrition initiatives through several programs. These have included in-store health-based programs, such as a physical activity program/exercise program for employees as well as an initiative between Tesco and The Health and Safety Executive organization to promote the benefits of an active lifestyle for back pain sufferers that was launched in 2006. The back pain initiative also included exercise professionals leading specially designed back-friendly exercise classes in Tesco stores across the United Kingdom. Furthermore, Tesco has established for Clubcard members a "Healthy Living Club" that provides a free "40 Steps to a Healthier Life" booklet and Clubcard coupons for healthy product purchases such as dairy and fruits and vegetables.<sup>94</sup> However, Tesco has also been challenged when it has encouraged what could be considered unhealthy practices, such as a program that promised Clubcard wine coupons for customers who were known to purchase large quantities of wine.<sup>95</sup>

In one of the more unusual store-based health-related initiatives, Tesco, in 2004, introduced its "Trim Trolley" cart program to increase the amount of calories burned. Research had indicated that shoppers burned about 160 calories on an average 40-minute trip around a grocery store. The Trim Trolley referred to a 10-speed grocery cart that shoppers would be able to set at different levels of resistance by either making it easier or harder to push the cart through the store. Shopping carts were programmed at Tesco stores for the different levels that would also allow the customer to see the number of calories burned as well as their heart rate. According to Tesco, at a more rigorous level 7, a shopper could burn about 280 calories on an average trip through a supermarket (presumably more if one was pushing a cart in one of Tesco's vast hypermarkets).<sup>96</sup>

Tesco's in-house products sold at its U.K. stores have come from 900 different suppliers located in 51 different countries.

trust us to provide them with safe and wholesome food.” Yet, as Leahy also pointed out, Tesco’s in-house products sold at its U.K. stores have come from 900 different suppliers located in 51 different countries, making monitoring a difficult and complex task.<sup>99</sup> At the same time, food safety concerns have arisen with regard to the way Tesco labels and monitors products once they are in the store.

The issue of in-store food quality and labeling became particularly sensitive for Tesco when a May 2007 BBC One News documentary exposed one particular Tesco store’s practices, including re-packing old meats, re-labeling (extending) dates on expired meat products, and mixing fresh meat with old meat in order to make it look fresher. The undercover reporter who worked at a Tesco store for four months as part of her assignment stated, “A lot of the time, the counter staff treated the meat and fish we were selling with indifference and, worryingly, there were times at Tesco when they had no idea what the real sell-by date

was as they had altered it so many times.”<sup>100</sup> Tesco responded the day after the documentary aired, “Tesco customers should not be fooled into thinking that the Whistleblowers program uncovered systemic failures or that the public is at risk. Our stores are subjected to continuous and rigorous scrutiny by trading standards officers and these checks confirm our excellent record on health and safety.”<sup>101</sup>

In sum, similar to its approach around food access and workplace issues, Tesco has promoted and implemented certain environmental and health-related initiatives that have provided opportunities to market its “corporate responsibility” image. At the same time, several practices question the nature and extent of Tesco’s commitment to a social agenda presents a different picture of its efforts; a situation that caused Ed Mayo, Chief Executive of the U.K.’s National Consumer Council to comment, “Tesco is now the marmite<sup>102</sup> of British business – people either love it or hate it.”<sup>103</sup>

# Supply Chain Issues

## Farmer and Supplier Relationships

For both its food and non-food products, Tesco has a vast supply chain that reaches across the globe and involves thousands of suppliers and subcontractors. Supply chain abuses have been documented by government agencies, non-profit groups, and the media. Tesco has responded by arguing that it seeks to address such concerns when they are raised. The company has also promoted its effort to source from local suppliers, partly in response to increasing demands by customers to support local producers. This section examines the issues associated with the Tesco supply chain.

Like the company itself, Tesco's supply chain is huge and far-reaching. It is characterized by extended relationships where Tesco may not have direct control over the production of goods, by supply chain concentration and by Tesco's close relationship with major suppliers and processors. Tesco's in-house brands also play an important role with regard to Tesco's relationship with other suppliers and producers.

Tesco exerts enormous influence over its suppliers. This pressure is reflected, for example, in supplier concerns that they could be de-listed at any point by the huge retailer; a fear that has led to supplier reluctance to challenge Tesco's demands regarding price or product issues, and has even made Tesco suppliers unwilling to respond to the Competition Commission's inquiries about supplier relationships.<sup>104</sup> Tesco's "just-in-time" ordering scheme allows the company to keep grocery shelves stocked, inventory to a minimum, and consumer prices low, but requires farm workers and salad packers to work long and unpredictable hours, in order to place, pack and ship fluctuating orders. This ordering practice also creates volatile and unreliable markets for farms supplying salad and fresh food products to Tesco.<sup>105</sup> Additionally, contracts between Tesco and farms typically are not written, but tend to be verbal, allowing Tesco to change the prices of produce from week to week.<sup>106</sup> More than half of U.K. farmers dealing with large supermarkets have expressed a desire for long-term and binding contracts for both parties.

Within this supply chain system, one key to Tesco's approach to sourcing has been its relationship with its two major suppliers – Natures Way Foods and the 2 Sisters Food Group. Natures Way Foods was created at the suggestion of Tesco in 1994, in order to supply its retail outlets with ready-made salads. Within two years of its creation, Natures Way became the fastest growing food company in the United Kingdom, and now supplies other large companies, such as

McDonalds, with salad and lettuce mix. The company, established by the Langmead brothers, a large land-holding family, is today the largest European grower of baby lettuce, farming over 6,000 acres in the South of England and 1,500 acres in Spain, and insuring Tesco a year round supply of baby leaf lettuce.<sup>107</sup>

The Natures Way relationship has been central to Tesco's increasing focus on packaged and ready-made meals, which Natures Way also oversees through a series of contractor/subcontractor relationships as well as through its own processing facilities. Packaged foods, particularly prepared salads, now include salad trays, bowls, and punnets as well as the simple salad bag. Natures Way product development has continually expanded, with the company proclaiming that its vision is "to be the best prepared produce supplier in Europe," a goal that will now include a market presence in the United States.<sup>108</sup>

Tesco's relationship with 2 Sisters Food Group, predominantly a manufacturer of private label goods, has also allowed Tesco to increase pre-packaged and ready made offerings of meat and poultry products. The Tesco relationship has helped 2 Sisters to expand from a "very small company" to a "turnover business spread over eight U.K.-based facilities" worth more than \$800 million and employing as many as 10,000 employees within its own supply chain, as the company's chief executive put it.<sup>109</sup> In its efforts to increase efficiency and update plant technologies, 2 Sisters Food Group has shut down two older processing facilities in the United Kingdom and purchased the primary poultry processor, Letham, further consolidating the U.K. poultry industry.<sup>110</sup> These facilities operate similarly to the gangmasters, drawing heavily on an immigrant work force. In fact, one of the largest immigration sweeps in the U.K. occurred at a 2 Sisters Food Group poultry processing plant this past June. 2 Sisters asserted that it had alerted immigration authorities of suspicious worker documentation and worked closely

Tesco continues to find itself subject to the criticism that its overall supply chain and retail system contradicts the promotion of its social responsibility objectives.



Photo by athomson.

with authorities to arrest and deport illegal immigrant workers. At the same time, 2 Sisters and many of Tesco's contractors and subcontractors have continued to draw on this immigrant labor pool, due in part to their need for a cheap and flexible work force (i.e., workers hired and let go at irregular schedules) that allows the supply chain operators to respond to Tesco demands for rapid product delivery.<sup>111</sup>

Although a company of Tesco's size has a large appetite for global goods produced at the cheapest cost, Tesco has also promoted a niche part of its supply chain that involves a U.K. regional sourcing model. (See Box 5) According to the company website, Tesco sources over 7,000 local U.K. products, identified in stores by country of origin labeling.<sup>112</sup> In one important example, Tesco, sensitive about supply chain issues and Competition Commission inquiries into abuses pertaining to milk suppliers, announced in 2007 a new initiative regarding contracts with as many as 850 local U.K. milk suppliers. Tesco agreed to pay the farmers above the industry average; an offer that Peter Kendall of the National Farmers' Union called "the most significant and encouraging development in the dairy industry for a very long time."<sup>113</sup> As part of this new initiative, Tesco launched its "Localchoice" milk in 650 English and Welsh stores in May 2007. The Localchoice milk is sourced in 14 English and Welsh counties, either within or nearby the county in which the suppliers operate. Due to a limited number of processing facilities in an increasingly consolidated industry, more than half of the milk is shipped out of county for processing, but is subsequently returned to the local stores, where it is sold for a slightly higher price than its standard counterpart.<sup>114</sup>

Another important aspect of Tesco's approach to supply chain issues is the continued growth of its own label brands. A key segment of the Competition Commission inquiries included its investigation of potentially anti-competitive effects of in-house labels

## Box 5

## Tesco's Local Sourcing Approach

To best characterize Tesco's local sourcing approach, a representative from a U.K.-based sustainable food NGO argued that while Tesco, like other supermarkets, has been responding to consumer demands for locally sourced products, it has not established a more comprehensive regional model of sourcing. Tesco, the sustainable food advocate commented, primarily invests in product development for high-end local products such as sausage, chili jam or mayonnaise that fill certain market niches. Tesco can then identify and promote products that traditionally come from a growing region that specializes in those items, and then publicize its support of these particular local products.<sup>115</sup>

Sam Nundy, a Senior Buyer for Tesco's regional sourcing team, similarly describes Tesco's sourcing strategy, commenting, "within the United Kingdom there are certain growing regions for certain products. The East of the country has very fertile soil

and we grow a lot of green vegetables. These products will be then distributed across the country either by Tesco distribution or by the supplier to one of the distribution centers around the country" where they will then trucked to the stores. Nundy also stated that "most of the products that we source locally will stay within the region. However, the best products may be distributed nationally as they may be the best of a particular product in the country." Tesco has also developed Tesco Road shows, where farmers and food processors can meet with regional sourcing team members, Tesco buyers, and technical managers to showcase their own products with the hope of soon becoming a local Tesco supplier. This regional or UK model has also meant that Tesco sources a high volume of chicken, beef, pork and lamb from local producers but also distributes those products on a regional basis.<sup>116</sup>

against other branded labels, as well as the relationship between producers of in-house labels and supermarkets. Tesco treats relationships with producers of their in-house products differently than how it conducts business with other suppliers, since products are being developed and sold directly under the Tesco name. Typically, the supermarket is given universal access to the manufacturing process. Often in-house label producers are asked for exclusivity contracts or are only able to supply one supermarket due to high sales volumes. In-house label foods provide Tesco the ability to undercut other nationally branded foods by selling Tesco brands at the lowest possible cost. This creates tight working margins for producers who must work under pressure to deliver satisfactory products. Tesco is also able to leverage the success of its in-house products during negotiations with branded product producers.<sup>117</sup>

The Competition Commission identified a number of issues regarding Tesco's relationship with branded product suppliers. These included Tesco:

- a) requiring or requesting suppliers to provide more favorable terms in return for increasing the range or depth of distribution of their products within a store;
- b) requiring or requesting a financial contribution from a supplier in return for promoting its products throughout the year (described by some suppliers as a 'pay to play' tax);
- c) de-listing a supplier or causing a supplier to reduce prices at Tesco's request under threat of de-listing;
- d) suggesting a supplier de-list a product but then later withdrawing the suggestion after receiving a discount on an unrelated product, or negotiating more favorable terms;
- e) requiring suppliers to purchase goods or services from designated companies (haulers, packing companies, labeling companies) where Tesco receives commissions from such companies;
- f) requiring or requesting a supplier to make a financial contribution to the costs of bar code and price tag changes.<sup>118</sup>

Through its supply chain inquiry, the Competition Commission was able to identify several signifi-



cant store costs associated with running a supermarket business that had been passed on to suppliers. Such an approach in turn creates incentives for suppliers to squeeze pay rates and institute other problematic working conditions and production practices. While many of these practices are endemic to a highly concentrated food retail industry, Tesco, as market leader with a large supply chain spread over several continents, has become a main focus regarding supply chain practices.<sup>119</sup>

In sum, supply chain issues indicate Tesco's strong desire to exert its power over its suppliers in order to maximize cost savings, strengthen its in-house label product line, and maintain a distance from production and labor concerns. At the same time, its strong marketing profile and sensitivity to a range of criticisms regarding ethical trading, environmental, and health-related issues has generated programs that support local sourcing and local producers. However, as the company continues to grow, and its international operations significantly expand, Tesco continues to find itself subject to the criticism that its overall supply chain and retail system contradicts the promotion of its social responsibility objectives.

One of Tesco's in-house product labels. Photo by zimpenfish.

# Tesco Goes Abroad

Since the mid 1990s, Tesco has expanded into a dozen countries to become a global giant in the food, and increasingly, non-food, retail area. Tesco's international operations are pivotal to its future growth. As such, Tesco has become adept at employing what has been called a "glocalization" approach – part adapting to local conditions, but primarily remaining global in nature, applying key standardization goals, such as its in-house brand, to its multiple operations. Tesco's entry into the United States is the latest and most important step regarding this global expansion strategy.

A key dynamic for Tesco's international operations has been its business management model that standardizes central operational features while seeking to adjust to other local factors. In this respect, Tesco generally seeks to "localize" itself within new markets, so that its standardized format can be tailored to each individual foreign market, in terms of product offerings and cultural product adaptations, such as the sale of live turtles in China described below, or local holiday promotions. In this way Tesco's global model of applying its standardized broad management approach (e.g., in-house products, readymade meals, maximizing of cost savings in its supply chain and distribution system, etc.) is localized by also catering to local markets via product selection or other practices that supplement the global model. This has resulted in what writer Victoria Griffith calls a "glocalization" strategy. Griffith argues that Tesco, among other global retailers, has "standardized and scaled management methodologies to offset the costs of localization and achieve global economies of scale" in pursuit of such "glocalized" foreign markets.<sup>120</sup> This approach, in turn, allows Tesco to argue that it is "flexible, adopting a slightly different approach, as every market is unique," while utilizing many of its key formats and operational strategies.<sup>121</sup>

In its most recent 2007 Annual Review and Summary Financial Statement, Tesco proudly elaborated on this approach, emphasizing its rapid and continuing expansion outside the United Kingdom. Testifying to the significance of the development of its international operations, including its high profile hypermarkets, the report indicated that "over half of Tesco's selling space is outside the United Kingdom and the population of the markets we operate in adds up to more than 2 billion people, representing more than half of the world's wealth." Among Tesco's 1,274 international stores are 370 stores in Thailand and another 101 stores in Hungary. These were the

first two countries where Tesco successfully launched its international expansion, beginning in the mid and late 1990s. Tesco also has operations in ten other countries. (See Box 6) Tesco created 98 new stores in 2005 and another 228 new stores in 2006, and witnessed a 19% increase in the international space it occupied. International sales climbed 23% during 2006 and profit margins were slightly higher than the operating profits at Tesco's U.K. stores. Furthermore, Tesco has associated its future growth with new and increasing international expansion, and has singled out its forthcoming initiatives in the United States, as well as possible future expansion in India and China, as the most important markets it wishes to penetrate.<sup>122</sup>

Tesco opened its first store in Hungary in 1994 and acquired an additional 45 supermarkets the following year. With the economic rebound in Hungary in the late 1990s, as well as the interest of the Hungarian government in foreign investment, Tesco quickly took advantage of a favorable investment climate to utilize some of its key strategies. These

## Box 6 Tesco's International Operations

Country	Number of Stores
Thailand	370
Poland	280
Japan	109
Hungary	101
Republic of Ireland	95
South Korea	91
Czech Republic	84
Slovakia	48
China	47
Turkey	30
Malaysia	19

included its hypermarket format, non-food services such as internet operations, the development of a Tesco/Hungary in-house label, and a reliance on and promotion of local sourcing. These strategies in turn helped Tesco become the leading retailer in Hungary and one of the country's major foreign firms, while also providing a beachhead for Tesco's aggressive expansion into Central Europe.

Among those strategies, the hypermarket format has been perhaps most notable. First introduced in 1996 in Budapest, Tesco's hypermarket stores often dominate the retail landscape in the regions in which they are established, often at the outskirts of a town, and now constitute about half of all of Tesco's Hungarian stores.<sup>123</sup> In the eastern Hungarian city of Eger, for example, the Tesco hypermarket receives over 40,000 shoppers every week, equaling the city's entire population. In relation to product mix, Tesco, similar to many of its U.K. and other international operations, aggressively pursued the development of in-house labels. Tesco first introduced its own brands in 1998 and now has more than 1000 in-house products. Tesco's annual report also emphasized the importance of local sourcing for many of its products in Hungary and elsewhere, including its in-house labels, although such local sourcing has been developed in part due to government limitations on importing fresh or frozen products from outside Hungary.<sup>124</sup>

Tesco's rapid expansion in Hungary, including its emphasis on large store size and in-house labels, has also led to criticism that its operations have undermined Hungary's small independent stores, similar to the criticisms the company has experienced in the United Kingdom. For example, Euromonitor International (an organization that provides business information and strategic market analysis) has pointed out that the growth of the Hungarian hypermarkets led by Tesco were primarily at the expense of independent food stores, with the market share of the independents dropping from 25.3% in 1998 to 10.9% in 2002. In addition, community-based groups have linked up with environmental organizations to oppose Tesco operations where resource use or land use issues have come into play.<sup>125</sup>

While Tesco's expansion in Hungary laid the groundwork for its Central European market penetration, Tesco's entry into Thailand served to establish its foothold in an expanding Asian market. Tesco opened its first store in Thailand one year after the 1997 Asian economic crisis, when the government opened the economy to multinational players. Through a joint



Soy Sauce isle in a Tesco store in Bangkok, Thailand. Photo by Ben and Katherine Sinclair Travel Photos 2007.

venture with CP Group of Thailand (a large Asian conglomerate) Tesco-Lotus was established-- an entity that became the largest and most powerful of the multinational food retailers operating in the country. Tesco also expanded its supply chain operations in Thailand, accessing, for example, the chicken market through various battery farms<sup>126</sup> including the largest chicken farm, in which Tesco maintains majority interest.<sup>127</sup>

As the number of stores developed by multinationals such as Tesco, Carrefour and the Dutch-based Royal Ahold chain expanded, they rapidly transformed the retail landscape in Thailand. Similar to the situation in Hungary, Tesco-Lotus hypermarkets, as well as its smaller store formats that competed directly with Thailand's traditional fresh food markets, undermined the small independent stores and shop houses in both Bangkok and several of Thailand's other cities. As criticism of this retail restructuring grew, CP Group ultimately decided to sell its share of Tesco-Lotus to Tesco, concerned that it had become a target of community opposition.<sup>128</sup>

By 2005, the tension between the large multinational retailers and the small independent stores in Thailand became part of an intense political campaign by community organizations and the local markets to place restrictions on the multinationals. The opposition to the retail multinationals fed into the protests against the Thai government and its strong promotion of foreign investment that culminated in a military coup. The protests also led to the development of policies that sought to place limits on foreign investment in order to protect the small independent markets and block further expansion of companies like Tesco. Before the rules were established, both Tesco and Carrefour were asked to halt voluntarily expansion

plans until such rules were in place, but both refused to do so. After the military coup occurred in late 2006, the new government established by the military drew up a weaker, less stringent set of rules on foreign investment that also exempted the food retail multinationals.<sup>129</sup> By the time Tesco's 2006 annual report was released several months later, the company could happily report that expansion plans in Thailand were proceeding, thanks in part to the development of a 10,000 square foot store format, designed to carry large numbers of product lines and mimic the idea of shopping in local markets. Tesco called the market, Talad, a Thai word meaning, market. The Tesco-Lotus web site also announced it was introducing the "Ready Meal," a new product line of chilled foods that utilized a long-standing Tesco approach from the United Kingdom. The Talad became Tesco's answer to the protests – and the plight – of the small independents.<sup>130</sup>

While Tesco withstood the political protests in Thailand, it was less successful in Taiwan, where it bailed out of the country after a 2005 swap with Carrefour, divesting six of its Taiwan stores and two of its sites for 11 Carrefour stores in the Czech Republic and four others in Slovakia.<sup>131</sup> However, Tesco also had its eye on the two biggest prizes in Asia – the huge markets in India and China, where it joined Wal-Mart and Carrefour in the rush for foreign investment into food retail. In India, Tesco sought to gain a foothold through a joint venture arrangement with Bharti Enterprises, a large Indian holding company, to establish a new retail entity that would seek to sell fresh foods, staples, groceries, and other convenience foods in a number of cities and towns throughout the country. Tesco was already engaged with Bharti through Bharti's agri-business unit, FieldFresh, which used the slogan, "Linking Indian fields to the world," and which was one of Tesco's suppliers for its U.K. stores. India's rules placed certain restrictions on foreign ownership of multi-brand retail operations, but similar to the situation in Thailand, Tesco hoped that by establishing a joint venture and gaining a foothold in the Indian market, it could ride out any nationalist concerns. Initial indications suggested that Tesco, which was in competition with Wal-Mart and Carrefour among others, was the favorite to strike a deal. However, Bharti ultimately decided in late November 2006 to sign a memorandum of understanding with Wal-Mart to develop its joint venture.<sup>132</sup>

While Tesco was forced to wait to enter the Indian market, it eagerly began to pursue the vast Chinese market that was more open to foreign investment in the retail sector in comparison to other indus-

trial and commercial sectors. Tesco initiated its first move in China in 2004 when it joined forces with Ting Hsin (which controlled the Hymall chain of 25 upscale hypermarkets primarily based in the Shanghai region), with plans to "rapidly colonize the Chinese east coast with large, modern shops, not unlike the ones you find at home," as a BBC News report put it. "At first we will sell what is in stores at present... then look to bring in our own brand," Tesco's corporate affairs director Lucy Neville-Rolfe told the BBC.<sup>133</sup>

Tesco's effort to expand in China, similar to some of its other international operations, represented a desire to utilize core strategies that had been developed in the United Kingdom, combined with specific local market considerations. In China, one example of focusing on local market needs was Tesco's successful foray into selling live toads and turtles, where the turtles were slaughtered at the supermarket at the request of customers. However, animal rights groups in the United Kingdom seized on the turtle issue as an example of the pitfalls of Tesco's globalization strategy, and produced an internet video depicting graphic footage of the turtle kills, to turn off Tesco's U.K. customer base. As a result of a number of customer complaints, Tesco decided in 2007 to "begin a review of our current standards and procedures on turtle farming, transportation, sale and slaughter," as its Corporate Responsibility Review publication put it.<sup>134</sup>

Despite the turtle controversy, protests in Thailand, problems in Taiwan, and even with its India setback, among other problems, Tesco remained fully committed if not enthusiastic about its long term international investments and globalization strategy. While Tesco continued to expand in Central Europe, it was India, China and most significantly, the United States that represented the heart of the future expansion strategy. In an interview with the *Sunday Times* in December 2006, Tesco CEO Leahy laid out the importance of those three crucial markets. "If you are looking at the 21st century, these are the places to put your chips," Leahy told the *Times*. "Clearly, China and India are the growing markets, but actually you have to remember that the United States still accounts for a third of the world's GDP. Everyone knows about China and India, but you also have to remember the United States."<sup>135</sup> And it was to the United States that Tesco now turned, armed with cash, warily eyeing and jockeying for position with Wal-Mart, its biggest global competitor, and ready to link the future of the company to its most ambitious foray into the global food market.

# Section 2: Coming to America



# Crossing the Atlantic

Tesco has arrived in the United States with initial plans to roll out 100 smaller sized, full-service stores within a year in Los Angeles and other parts of Southern California, Phoenix and Las Vegas, with the possibility of expanding to as many as 500 sites in these regions. The small store formats provide a low cost, entry into the U.S. market and do not preclude Tesco from shifting to other formats as well, including its huge “hypermarket” stores as it explores additional locations throughout the United States. This global retail giant has the capacity to influence such issues as lack of fresh food access in low-income communities, the decline of living wage jobs among grocery workers, environmental and health concerns about where food comes from and the distance it travels from seed to table, unhealthy food choices, the related “obesity crisis,” and the squeeze on family farms. The discussion of Tesco’s entry into the United States is examined in light of these critical issues.



Tesco's Fresh & Easy Neighborhood Market prototype store design. From the “Talking Fresh & Easy” blog located at [www.freshandeasy.com/blog](http://www.freshandeasy.com/blog)

Tesco’s decision to enter the U.S. market comes at an important juncture in the development of food stores in the United States. The concentration of the grocery retail market into the hands of a few large supermarket chains, combined with the development of the “supermarket” and subsequent “superstore” have effected changes in the grocery sector that have left many consumers without easy access to the convenient neighborhood market. In the 1950s and even as late as the 1960s, supermarkets were based locally and regionally. The larger stores tended to be approximately 20,000 square feet in size, not much larger than the store format identified in Tesco’s “Fresh & Easy Neighborhood Market” concept or its U.K. Metro store. Over the next few decades, supermarkets grew to as large as 60,000-80,000 square feet of store space, fueling the rapid shift away from urban core neighborhoods to the suburbs where land was cheaper and stores were more accessible to the expanding suburban

consumer base.<sup>136</sup> Market concentration also became a key factor as neighborhood stores gave way to the dominance of a handful of chains. This concentration took place first within city limits and then at the regional level. A series of mergers in the late 1980s and 1990s established for the first time several national food retail organizations (e.g., Kroger and Safeway).<sup>137</sup>

At the same time as grocery chains were becoming more concentrated, a new format, the Big Box store, began diversifying into the food arena. Wal-Mart’s Supercenter, with stores as large as 200,000 square feet and with multiple food and non-food product lines, appeared poised to change the very nature of food retail. Wal-Mart’s expansion outside the United States, and the entrance of other international players such as Ahold into the U.S. market, further restructured food retail into a global system, complementing and extending the already globalized supply chains and long distance transport of products.<sup>138</sup> This global restructuring in turn has led to significant labor, health, environmental, food quality and product variety outcomes. Tesco’s entry into the United States is the latest and perhaps most vivid example of the globalization of the food system. For the first time, a global company is taking on what had once been a preeminently local segment of the American food system: the neighborhood market.

# Laying the Groundwork

In 2005, word began to spread in business and retail circles that Tesco was exploring the United States as its most ambitious, and potentially most audacious, move since Leahy and his team took over the company in 1997. Without any publicity and operating in secret, Tesco staged what *Business Week* characterized as a “covert operation” to research the American consumer and marketplace. Several Tesco senior managers, under Mason’s direction, decided, as *Business Week* breathlessly recounted, to pose “as Hollywood film producers making a movie about supermarkets. The operatives set up a trial convenience store in a West Coast warehouse. Loath to leave a paper trail that could tip off competitors, they used plastic bags of cash rather than corporate charge cards to buy goods for their mock store.”<sup>139</sup>

The need for secrecy was not simply an exercise in subterfuge to keep its competitors guessing. Tesco’s executives knew they were undertaking a significant and potentially all-consuming operation, one that had been in the planning stage for several years. One of the company’s U.K. rivals, Sainsbury’s, pulled out of the United States in 2004, selling its interest in the previously acquired Shaw’s supermarket chain, and other non-U.K. global food retailers, such as Royal Ahold, also experienced problems in the U.S. market.<sup>140</sup> However, Tesco’s plans, as Tesco CEO Leahy revealed in a February 9, 2006 press conference, would be different. Instead of acquiring one or more chains, such as purchasing Safeway,<sup>141</sup> Tesco would set up its own brand name – the Fresh & Easy Neighborhood Market – a type of hybrid of two of its U.K. store formats. It would establish its beachhead in an initial set of west coast markets, including Los Angeles and other parts of Southern California, with plans to expand into other regions after its West Coast operation got off the ground. The importance of this entry into the U.S. market was underscored by the Tesco board of directors who offered CEO Leahy a special bonus of \$23.6 million, based exclusively on the success of the launch of its U.S. operation, and an additional bonus to Mason, the head of Tesco’s U.S. operation. The Leahy payment offer developed into a bone of contention for a number of Tesco shareholders, with as many as 17% of the stockholders at Tesco’s 2007 annual meeting refusing to endorse the board action.<sup>142</sup>

To break into the U.S. market, Tesco’s marketing strategy centers around three key themes: affordability, freshness and convenience. Tesco hopes to accom-

plish a strong price advantage by employing a part-time workforce, centralizing supply chain operations, and stocking half of its products with own-label brand items. The freshness and “easiness” of the shopping experience will be achieved through the sale of whole foods and prepared meals, as well as through the rapid roll out strategy that aims to open stores in every neighborhood. The initiative, Mason told reporters in the United Kingdom, would ultimately appeal to U.S. shoppers as something “cleverer and different.”<sup>143</sup>

Tesco has decided to use the Fresh & Easy Neighborhood Market name for its stores and for in-house products as well as for its U.S. corporate identity. The brand reinforces Tesco’s marketing message while also helping to emphasize the local, and downplay the global, nature of its operation. Moreover, as an article in the U.K. newspaper, *The Observer*, put it, “There will be no sign in Fresh & Easy of the Tesco branding that is omnipresent in Britain. Is this because it wants to shed some of the negative associations it now carries in the United Kingdom? Some consider it to be the equivalent of Wal-Mart, widely reviled for its market dominance.”<sup>144</sup> Beyond the issue of leaving behind potentially unfavorable associations with “Tesco,” the Fresh & Easy name is further designed to target the health-conscious shopper, a prime constituency in the Southern California and broader Southwest markets. Moving rapidly to acquire or lease real estate for its store sites in each of the four regions, Tesco is ready to make its presence in the food retail market felt immediately, with rapid-fire construction and expansion of new stores in the months and years to come.<sup>145</sup>

To break into the U.S. market, Tesco has decided on a strategy constructed around three key themes: affordability, freshness and convenience.

# Food Access and Store Locations

## Tesco's Initial Roll Out Strategy

Tesco has recognized that by situating any of its stores in low-income communities it will generate positive media coverage and support from public officials. The company has also indicated that it will undertake a saturation strategy with its smaller stores so that a Tesco Fresh & Easy Neighborhood Market will be located every one to two miles. This section provides a detailed evaluation of Tesco's low-income/fresh food access approach. It documents the income demographics of each potential Tesco store location and whether such locations represent food deserts (i.e., the absence of any full-service food markets within a half mile of the proposed store location). It concludes that the location strategy for the first 100 stores will not have a significant impact on improving fresh food access in low-income communities.



Fresh & Easy Neighborhood Market under construction in Los Angeles.  
Photo by Ben Nyberg.

In recent decades, the lack of fresh food access in low-income communities has become an increasingly visible problem in Los Angeles and throughout the United States. A 1993 UCLA report, for example, documented a major trend of full service food markets abandoning inner city communities in Los Angeles from the 1960s through the 1992 civil disorders in Los Angeles.<sup>146</sup> The 1992 L.A. unrest in turn highlighted the desertion of the supermarkets and led to a major initiative by the group Rebuild L.A. to create jobs and economic development opportunities in impacted areas. As part of this initiative, Rebuild L.A. secured highly visible pledges from four major food retail chains to locate as many as 32 new supermarkets in the underserved communities in Los Angeles, a pledge that became the most substantial of the Rebuild L.A. goals for inner city reinvestment. Unfortunately, the pledges turned out to be hollow.

A 2002 study by UEPI indicated a zero net gain of supermarkets in the target area. Some chains, such as Vons (now owned by the Safeway group) completely abandoned the inner-city initiative, deciding to focus company-wide on a higher income demographic. Most recently, a community food assessment funded by the National Institute for Environmental Health Sciences was conducted by Project CAFE (Community Action on Food Environments) in three inner city communities in Los Angeles. Findings indicated the extreme prevalence of fast food and convenience/liquor stores in the neighborhoods and relative absence of full service supermarkets. The Project CAFE assessment parallels several other community food assessments in Southern California that also point to the prevalence of higher prices, poorer quality foods and lack of freshness, in many remaining inner city stores.<sup>147</sup>

Research that identified supermarket flight to the suburbs was not just limited to Southern California. Similar studies regarding supermarket restructuring and relocation in a number of other regions across the country identified a grocery gap in inner-city communities. Additional studies also measured impacts related to the lack of fresh and healthy food in neighborhoods, including those that identified and linked the lower intake of fruits and vegetables to a higher prevalence of obesity and overweight and related health outcomes.<sup>148</sup>

The enormous attention that emerged around diet-related illness in America increased interest in identifying alternative policies and strategies to increase fresh food access, particularly in low-income communities where the correlation between lack of healthy food and diet-related illness was particularly pronounced. This included innovative programs,

TABLE 2. Proposed Fresh &amp; Easy site locations according to median income and poverty rate.

State/ County	Total Number of Proposed Sites	Sites where median income is below county average	Sites where poverty rate is higher than average	Sites where poverty rate is significantly* higher than average	Sites where poverty rate is significantly* lower than average
California					
Los Angeles	19	4	4	1	15
In Los Angeles County, the majority (79%) of sites are in census tracts where the median income is higher and the poverty rate is lower than the county average. One store (5%) is in a census tract with a significantly high poverty rate, and a majority (79%) are located in areas with a significantly low poverty rate.					
Orange	6	3	3	0	1
In Orange County, half (50%) of sites are in census tracts where the median income is higher and the poverty rate is lower than the county average. No stores are in a census tract with a significantly high poverty rate, and two thirds (67%) are located in areas with a significantly low poverty rate.					
Riverside	11	7	3	3	3
In Riverside County, just over one third (36%) of sites are in census tracts where the median income is higher than the county average. However a majority (73%) of sites are in census tracts where the poverty rate is lower than the county average. Just over a quarter (27%) are in a census tract with a significantly high poverty rate, and just over a quarter (27%) are located in areas with a significantly low poverty rate.					
San Bernardino	9	7	2	1	1
In San Bernardino County, fewer than a quarter (22%) of sites are in census tracts where the median income is higher than the county average. However, fewer than a quarter (22%) of sites are in census tracts where the poverty rate is lower than the county average. One store (11%) is in a census tract with a significantly high poverty rate, and one (11%) is located in an area with a significantly low poverty rate.					
San Diego	7	4	4	2	3
In San Diego County, fewer than half (43%) of sites are in census tracts where the median income is higher and the poverty rate is lower than the county average. Two stores are in a census tract with a significantly high poverty rate, and more than half (57%) are located in areas with a significantly low poverty rate.					
Ventura	4	1	1	0	1
In Ventura County, the majority (75%) of sites are in census tracts where the median income is higher and the poverty rate is lower than the county average. Two stores are in a census tract with a significantly high poverty rate. There are no stores in a census tract with a significantly high poverty rate, and one (25%) is located in an area with a significantly low poverty rate.					
California Total	56	27	17	7	24
In Southern California as a whole, more than half (52%) of sites are in census tracts where the median income is higher than the county average. More than two thirds (68%) of sites are in census tracts where the poverty rate is lower than the county average. Seven stores (13%) are in a census tract with a significantly high poverty rate, and more than forty percent (43%) are located in areas with a significantly low poverty rate.					
Arizona					
Maricopa	27	12	9	3	16
In Arizona, more than half (56%) of sites are in census tracts where the median income is higher than the county average. Two thirds (67%) of sites are in census tracts where poverty rate is lower than the county average. Three stores (11%) are in a census tract with a significantly high poverty rate, and more than half (59%) are located in areas with a significantly low poverty rate.					
Nevada					
Clark	15	4	2	0	10
In Nevada, almost three quarters (73%) of sites are in census tracts where the median income is higher than the county average. A majority (87%) of sites are in census tracts where poverty rate is lower than the county average. There are no stores in a census tract with a significantly high poverty rate, and two thirds (67%) are located in areas with a significantly low poverty rate.					
All Stores					
Total	98	43	28	10	50
Of all of Tesco's proposed sites, more than half (56%) of sites are in census tracts where the median income is higher than the county average. A majority (71%) of sites are in census tracts where the poverty rate is lower than the county average. Ten stores (10%) are in a census tract with a significantly high poverty rate, and just over half (51%) are located in areas with a significantly low poverty rate.					

such as *farm to school* (which aims to increase fresh fruit and vegetable options for school cafeteria food) and policies, such as innovative Pennsylvania legislation that creates incentives for increasing the number of supermarkets in low-income communities.<sup>149</sup> As these issues have become more prominent, a community food movement has emerged throughout the United States that parallels similar movements to address food deserts in the United Kingdom. As the largest food retailer and a target for community action around food access issues in the United Kingdom, Tesco has been familiar with the food deserts issue, and has sought to identify a response to the food access and community food movement concerns regarding its store location strategy in the U.S. market.<sup>150</sup>

Tesco has maintained that it is not targeting a particular demographic or a particular competitor's market, but is instead focusing on the universal aspects of a good shopping experience.<sup>151</sup> In doing so, Tesco has argued that it intends to develop stores in low-income, urban core communities, and that such stores would have the same products, quality and prices as its stores in middle-income and suburban locations. While Tesco has not identified how many of its stores might be located in such communities, it has eagerly sought out community groups and asserted in its press interviews and public comments that it would actively pursue such a strategy. "One of the reasons we appeal to American politicians is because we have said we will go back into neighbourhoods that have become food deserts," argued Mason in a June 2007 interview with the U.K.'s *Sunday Observer*.<sup>152</sup> Tesco has actively promoted its message of a commitment to fresh food access in low-income communities at a number of forums, including meetings with community based organizations and coalitions, in interviews, and at a conference co-sponsored by the California Endowment and the British Consulate in Los Angeles. At these meetings, Tesco executives, including Mason and Fresh & Easy's primary public relations spokesperson, Simon Uwins, have asserted that Tesco will play a visible and significant role in establishing stores in low-income communities. This has been a popular message for community groups, public officials, and some of the leading health-based foundations, such as the California Endowment, for whom the link between health and food access has become a key area for action.<sup>153</sup>

Tesco has also suggested that it plans to blanket an area with stores so that shoppers will choose a Fresh & Easy Neighborhood Market because it is the most

accessible. "Location in part is the key to how shopping decisions are made," says Tesco Neighborhood Affairs Manager Roberto Munoz. "We want the shopper to realize that our Fresh & Easy store has all that a shopper might need. And we want to have our store locations close enough to each other that the shopper will then select Fresh & Easy rather than go further to another store or multiple stores."<sup>154</sup> The proposed small store format and rapid roll out strategy facilitate such a saturation strategy. Smaller stores require fewer parking spaces and smaller land requirements, resulting in cheaper real estate. The heavy infusion of cash from the sale of its U.K. landholdings will also allow Tesco to expand rapidly, achieving market dominance through the sheer number of locations.

For this report, UEPI evaluated Tesco's initial store sites in relation to the theme of market development in underserved areas, as well as the proposed saturation strategy. With information about only one fifth of Tesco's goal of 500 sites in the region, it is still too early to evaluate whether Tesco will be able to fully develop a saturation strategy, although there are indications that it remains at least a near term goal.<sup>155</sup> In the initial roll out in each of the regions where Tesco will be operating, the preponderance of store sites tend to be scattered, often, though not exclusively, in expanding suburban locations. It can be assumed that Tesco's primary goal, at this point, is to secure real estate and maintain high visibility and public interest, whether from investors, realtors, the media, or officials who would like to secure additional revenue for their cities.

The question of whether Tesco will locate its stores in inner city communities can also not be definitively answered, but initial analysis indicates that such stores represent a small percentage of Tesco's overall store location choices. Nevertheless, Tesco has been quite successful at promoting its message of seeking to site stores in low-income, food desert communities. For example, at a July 19, 2007 press conference, Mason announced the company's first 12 Los Angeles County locations. However, Tesco's proposed store site at Adams and Central in South Los Angeles did not appear on the list ("negotiations are still underway but nearly complete," Mason commented at the press conference). But the Adams and Central site had already been touted by Tesco executives as a primary example of a "regeneration partnership," and the proposed store had also provided the company with highly favorable media coverage about its entrance into the United States, including an editorial in the

TABLE 3. Stores categorized as “grocery” within .5 miles of proposed Tesco locations in census tracts with a higher than average poverty rate.<sup>160</sup>

Address	City	State	Zip Code	% of Population Below Federal Poverty Line	Stores within .5 Miles
1904 W. Glendale Ave.	Phoenix	AZ	85021	18.37%	<b>Fry’s Marketplace</b>
1101 S. Main Ave.	Fallbrook	CA	92028	19.83%	<b>Albertsons, Major Market-Ftd Florist, Fallbrook 99 Cent Bargain, Fallbrook Market Place, El Tigre Foods</b>
El Evado Rd. & Palmdale Rd.	Victorville	CA	92392	25.34%	<b>Ralphs</b>
Alessandro Blvd. & Perris Blvd.	Moreno Valley	CA	92553	24.31%	<b>Albertsons, Fiesta Food Warehouse, Stater Bros Markets</b>
N. McQueen Rd. & E. Chandler Blvd.	Chandler	AZ	85225	22.06%	Circle K, Circle K, Wingfoot Market
Jackson St. & Generations Dr.	Indio	CA	92203	27.94%	-
N. Alma School Rd & W. University Dr.	Mesa	AZ	85201	26.13%	Carniceria El Rodeo, J & M Discount Cigarette Mini
Jackson St. & Generations Dr.	Indio	CA	92025	26.84%	Circle K, <b>Ralphs</b> , Ash & Washington Liquor, La Sorpresa Barata, <b>Albertsons, Mi Pueblo Supermarket</b>
Adams & Central	Los Angeles	CA	90011	37.47%	Amigo Discount Store, Las Palmas Carniceria, Super Dollar Store, Garibaldi Market, Central Market, La Fortuna Carniceria, Family Market, La Corona Market, Ji Won Market, One Stop Food Store, Coco Discount #3, Pic n’ Go, Mexicali Meat Market, Jae’s Market, La Reina Market, Leyva Market, Commercial Meat Market, Ofelia’s Mini Market, Molina’s Market
W. Florida Ave & N. Lyon Ave	Hemet	CA	92545	34.18%	None within .5 miles. However, within 1 mile: <b>Smart &amp; Final, Albertsons, Vons, Stater Bros</b>

\* For the purpose of this report, chain supermarkets are defined as full-service grocery stores with five or more locations. Chain supermarkets are highlighted in bold text in the chart above.

*Los Angeles Times*. Despite excluding the Adams and Central site, at the July 19 press conference, Tesco promoted another store in an underserved part of Compton, thus generating another round of favorable coverage.<sup>156</sup>

Beyond specific store locations, Tesco executives, including Mason, have at times conflated working class neighborhoods with more distressed low-income neighborhoods. At another press conference in the United Kingdom, Mason argued that Tesco would target a broader constituency than the ‘cash rich, time poor’ people that rely on convenience shopping in Britain, and would therefore, “appeal to blue-collar families, providing a healthy eating alternative when ‘dad’s on night shift, the kid has a soccer game and mom has a part-time job to go to.’”<sup>157</sup> Mason also characterized Tesco as wanting to “appeal to the neighborhood the same way Starbucks does.”<sup>158</sup> The issue to be examined then is whether this presumption of cross-class appeal, which Tesco has developed in the United Kingdom, directly addresses the issue of communities that are supermarket poor.

Tables 2 and 3 and Chart 4 provide an evaluation of how many store sites are located in low-income, high poverty communities. Census tract level data for each of the store locations includes information about

income levels and poverty rates matched against the equivalent numbers for the respective counties in which the census tracts are located. The U.S. Department of Agriculture, among others, has positively correlated food insecurity with poverty rates. According to USDA, “the prevalence of food insecurity differed from the poverty rate by only a few percentage points in each year since 1995. The similarity in levels of the two measures is consistent with the original concept of the poverty line—an income level at which households could just meet their basic needs for food and other essentials.”<sup>159</sup>

Table 3 includes 10 stores that are located in census tracts with especially high poverty rates. In order to better illustrate the relative food security of these 10 locations, this report examined the number of full service supermarkets that already exist within a half a mile of the proposed Tesco locations. Table 3 shows that of the proposed Tesco sites in areas with significantly higher poverty rates, half of them already have full-service, chain supermarkets within a half-mile radius. Additionally, Wingfoot (Chandler, AZ) is a long-standing full-service independent. The proposed Hemet location, which is in a less dense, suburban area, has a Smart & Final, Albertsons, Vons, and Stater Bros Market all located within a one-mile radius. The

British executives now feel that they will offer enough of the brands and products that will appeal to all groups at each store, including Hispanics.

Tesco low-income store locations are important in that they provide an outlet to purchase healthy, affordable food. However, at least 7 of the 10 poorest neighborhoods where Tesco plans to locate are not lacking access to a full-service supermarket, and would not be considered, in that sense, food deserts. Moreover, in certain communities, such as store sites identified in Chandler, Arizona and in Escondido, California, Tesco may undercut long standing independent stores or ethnic markets, a strong concern in the United Kingdom related to Tesco practices that have undercut local independent stores.

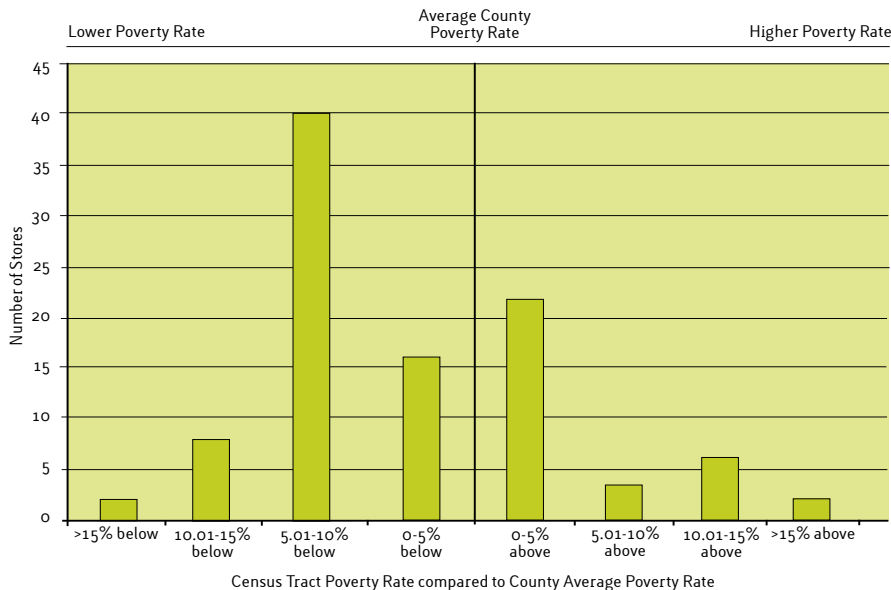
The data suggests that Tesco has chosen locations with median incomes that vary, and that other variables such as cost, availability, street location and competition concerns may be guiding location choices. However, it is clear Tesco is not defining itself primarily by a low-income neighborhood profile, as some independents and chains such as Food for Less have done. Of the site locations evaluated (with sites identified as of June 15, 2007) 10 of the 98 locations (~10%) have poverty rates significantly higher (>5% difference) than that of their respective counties. Fifty (51%) are in census tracts with significantly lower poverty rates (>5% difference), indicating that Tesco has generally established its sites in areas with greater rather than lesser food security. Moreover, a significant number of sites are in suburban rather than urban core areas.

In Los Angeles, only one of the locations is in the area targeted by Rebuild LA as the neighborhoods suffering from the most significant grocery gap.

In addition to the profile of income and poverty levels, it is important to identify Tesco's approach to food access. One of the core indicators of a food insecure community is the failure by both supermarket chains and policymakers to address transportation issues as a component of food insecurity. Many high poverty areas are also transit-dependent, that is, where >20% of the residents in a particular area do not have cars. Community food advocates have focused on the need for a transportation policy to serve transit-dependent (and often food insecure) shoppers, such as through provision of van services. Tesco spokespersons Uwins and Munoz indicated interest in transportation access possibilities such as a bus stop located near a Tesco store, but stated that Tesco did not plan to offer a van service; an approach that has become increasingly popular in several low-income stores, including the Escondido ethnic food market nearby one proposed Tesco store.<sup>161</sup> In an ironic counterpoint, in 2006, Tesco approached London Pedicab, a company that provides rickshaw service as well as ambient outdoor marketing, to promote one of Tesco's new stores. The goal was "to build awareness and be environmentally-friendly reinforcing Tesco's 'green' credentials." For one day, Tesco customers rode the London Pedicab for free, but Tesco did not incorporate the service into its regular operations.<sup>162</sup>

Product selection is also noteworthy in relation to the question of stores in underserved communities. On the one hand, Tesco's standardization policy that products, prices and quality will be the same at all stores, appeals to community food advocates who are concerned with the proliferation of poorer quality and higher priced items in low-income communities. On the other hand, such a product standardization strategy reduces or eliminates the possibility of making available what community food advocates call *culturally appropriate foods* that could meet the needs of residents in a particular neighborhood, particularly important in highly diverse low-income communities. Tesco has responded to this concern by seeking to cater to the Hispanic market in Southern California by selecting "national brands that appeal to Hispanics," and by offering fresh produce. According to Mason, this approach will be effective because, "fresh resonates strongly with Hispanic households because many of them are cooking from scratch and they need fresh foods."<sup>163</sup> While recognizing that they had had no

Chart 2. Number of Stores Compared to Poverty Rate



prior experience with a Hispanic market, both Mason and Uwins have argued that by spending time with Hispanic households and observing their eating habits, the British executives feel confident that they will be able to offer brands and products that will appeal to all groups at each store, including Hispanics.<sup>164</sup>

Another product selection issue for community groups concerns Tesco's liquor policy, reinforced by its active acquisition of the large number of liquor licenses. Tesco has been a major supplier of low-cost wines in the United Kingdom, and press reports indicate that, similar to Trader Joe's, Tesco is looking to sell price competitive wines at its U.S. stores. In low-income communities, where liquor stores are concentrated (many of them posing as food marts) and where community groups have long advocated reducing, rather than increasing, the number of outlets where liquor is available, the specific product standardization approach becomes problematic.<sup>165</sup>

In sum, while Tesco has heavily promoted its "everyone should have access to healthy food"<sup>166</sup> initiative as a way to describe its approach to store location, it is too early to determine definitively whether such a goal will be achieved. The small, 10,000 square foot store format and centralized distribution system will allow for rapid expansion, which will in turn

aid in the establishment of the Fresh & Easy brand name. However, unlike in the United Kingdom where Tesco is able to blanket the country, the sprawling suburban landscape in many of the proposed U.S. locations creates considerable barriers to a saturation strategy. Tesco's plan to locate a handful of stores in low-income communities enables Tesco to promote itself as contributing to improving food access, despite the fact that the large majority of its stores are not located in areas where food insecurity is a major concern. Within its concept of a cross-class approach, suburban and middle-income locations are still more prevalent. Tesco has further indicated that it wishes to expand into other regions, and in doing so, the potential remains for the development of other store types, including its most prominent international store format, the hypermarket. While Tesco states that it has no plans in the United States to pursue formats other than its Fresh and Easy Neighborhood Store concept,<sup>167</sup> it has experimented with additional formats in other countries where it operates, once it has established itself. Ultimately, Tesco's capacity as a global food retailer capable of investing significant start-up funds, rapidly penetrating new markets and developing multiple formats in a wide variety of locations, remains its most important signature.

## Box 7

## Poverty Rate and Food Access

While the correlation between poverty and food insecurity can predict which areas are most likely to be supermarket poor, there are times when areas with lower rates of poverty can still lack access to full service supermarkets. Two such Los Angeles neighborhoods where Tesco plans to locate are Glassell Park and Compton. The poverty rate in the Compton census tract (19.50%) is just slightly above that of L.A. County as a whole (17.91%), and the poverty rate in the Glassell Park census tract (10.92%) is quite a bit below the county rate. Similarly, the median income in Compton is just barely below that of the county, and the median income at the Glassell Park location

is higher than the average median income in L.A. County. However, residents in Glassell Park have witnessed the closing of a number of full-service supermarkets in recent years, two Albertsons and a Ralphs supermarket, and while Compton has attracted new retail, certain parts retain the South Central stigma that has left retailers wary about investment. In both of these cases, these areas can be considered similar to food deserts since there are no full-service supermarkets within .5 miles of the proposed Tesco locations. These two markets also exemplify the kind of underserved, mixed-income neighborhoods where Tesco is hoping to fill the gap.

# Part-time and Non-Union

## Tesco Constructs its U.S. Labor and Workplace Strategy

Tesco executives ignored requests by union representatives to meet and have indicated that such a meeting “is not currently being considered.”

Tesco has decided to hire a part-time work force at its stores, and, unlike its partnership with Usdaw in the United Kingdom, appears prepared to go non-union. It has promoted the idea that its workers will be paid a living wage, although an hourly living wage would not translate into a living wage paycheck for its part-time workers. The company has also been wrestling with how it will approach the question of health benefits, a contentious issue in the United States, but one quite different from the United Kingdom, where the National Health Service lifts the burden from the employer and covers all employees.

The question of union representation has been one of the central workplace issues in the grocery industry as it has evolved in recent years. Food retail has remained one of the few industries with a substantial unionized work force at many of the regional and national supermarket chains. Up until recently, the union jobs translated into higher than living wage salaries and good health benefits. The important exceptions include stores that have resisted unionization such as Wal-Mart, which entered the food retail business when it rolled out its Supercenter store format earlier this decade, as well as Whole Foods, and some of the smaller independents and niche market stores. The pressure exerted by Wal-Mart to reduce wage levels and increase the number of part-time workers led to a significant downward shift in overall wage levels and health benefits across the grocery industry.<sup>168</sup> (See Chart 2) In an attempt to combat the “Wal-Mart effect,” 70,000 United Food and Commercial Workers (UFCW) members walked out, or were locked out, in a four and a half month strike against the three leading Southern California chains. The outcome of the strike, considered a loss for the union, undermined some of the long-standing gains for the supermarket workforce, resulting in a two-tier system for health benefits and wages. Tesco’s plans to enter the U.S. market in 2007-2008, including its aggressive roll out strategy for Southern California, took place as a new round of bargaining talks were anticipated between UFCW and the three big supermarket chains. These talks were recently concluded, with important changes that improved the bottom tier of the two-tier system and increased wages and health benefits. The effect of Wal-Mart on the industry, however, remains a factor. While Tesco’s initial format strategy may be preventing the major supermarket chains from viewing Tesco as the same threat as Wal-Mart, Tesco’s policies on part-time employment, wage levels, and union representation, could all contribute to reversing

the recent gains from the contract talks and reinforce some of the earlier negative trends towards reducing wages and benefits for grocery workers.<sup>169</sup>

Whether Tesco would recognize or possibly even partner with unions at its U.S. stores, as it has done with Usdaw in the U.K., immediately emerged as one of Tesco’s central workplace issues. The answer seemed to come as early as May 2006 when Tesco began to put together its U.S. management team and a job ad was issued for two senior human relations positions at Tesco’s corporate headquarters as well as for a new employee relations director. The ad stated that those hired would have “primary responsibility for management of employee relations; maintaining non-union status and union avoidance activities.” After the *Financial Times* broke the story about the advertisements, Tesco quickly removed the “union avoidance” language. The company today dismisses the episode’s importance, characterizing it as something that “had happened a very long time ago,” as Tesco’s Uwins put it.<sup>170</sup>

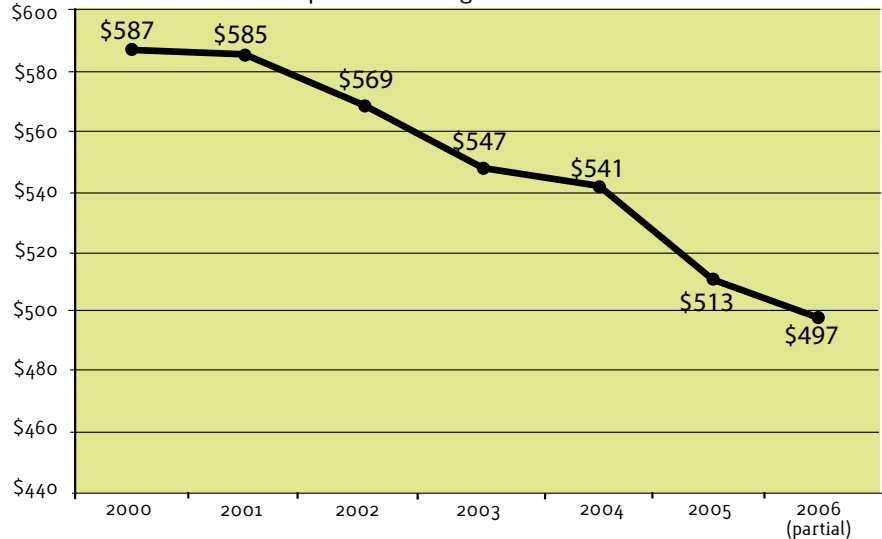
Since then, Tesco executives have continued to comment that the company has yet to decide what its position on union status will be, whether in relation to its stores (primarily involving the UFCW union which represents employees at most supermarket chains) or its distribution system and supply chain (involving the Teamsters, the UFCW, or other union representation related to distribution and warehouse activities). At the same time, Tesco executives have ignored requests by union representatives to meet and have indicated that such a meeting “is currently not being considered,” according to Uwins. A number of press articles and comments by financial analysts further indicate that Tesco might well be preparing to move in an anti-union direction, even as the company argues that any of its workers “would be free to unionize.”<sup>171</sup>

The UFCW has said that it remains open-minded about Tesco and the possibility of working out an agree-

ment between the global food retailer and the union. “While the company has not made a firm commitment on whether its workers will be unionized, the union believes Tesco will not follow Wal-Mart’s lead based on the company’s own interests in being a good employer, its public comments on the topic, and its strong relationship with labor in the United Kingdom,” the UFCW stated in an e mail to the authors of this report. While still hoping to establish a working relationship with Tesco, similar to the company’s Usdaw partnership, the union also warned that if Tesco decided to “mimic Wal-Mart’s approach of hostility to unions,” including its “undermining wages and working conditions of other retail workers,” the union would then expect that “communities, elected leaders, and consumers [would] reject this type of foreign competition in an already robust market that is predominantly union.”<sup>172</sup>

Tesco’s approach to the issue of union representation is just one important dimension of the workplace issues it will need to address with respect to the 2500-3000 workers it anticipates hiring within its first year of operation. Key issues include wage levels, part-time versus full-time employment, and health benefits. Tesco has indicated on several occasions that it will be relying on a part-time work force of about 30 workers per store, an approach that also underlines its effort to reduce costs. At a meeting with the Los Angeles-based Community Health Councils (CHC), for example, Mason indicated that Tesco was seeking a predominantly part-time (< 25 hours) work force. Subsequently, at a San Diego press conference, Mason stated that a minority of Tesco workers would be hired at 20 hours a week and that a majority would be hired at 28 hours or more.<sup>174</sup> Mason, however, did not directly specify whether some or any of those workers would be full-time (40 hours a week). In response to a question about whether Tesco store employees would work part-time or full-time, Mason responded: “We firmly believe that if someone wants to work a 40 hour week, do not hire them for a 20 hour a week job. It is not a marriage made in heaven. Having said that, plenty of people want to work 20-hour week jobs.” He also characterized the type of worker that Tesco would employ as “moms or students.”<sup>175</sup> At its July 19, 2007 L.A. press conference, Mason further stated that starting wages for its store employees would be \$10 an hour. This pay rate is above the minimum wage, but translates into a \$200 per week paycheck for a 20 hour a week employee, well below a living wage, even if it is a wage “that people would accept,” as Tesco’s Munoz put it.<sup>176</sup>

Chart 2. Decline in Supermarket Wages 2000-2006<sup>173</sup>



The issue of health benefits presents another difficult issue for Tesco, since employers are not responsible for providing health coverage in the United Kingdom. At the San Diego press conference, Mason stated that they were “currently wrestling, as everybody else is, with how we can do the best job on healthcare.” Earlier, at the CHC meeting, Mason commented that Tesco was considering providing catastrophic health coverage. When Mason finally announced Tesco’s health benefits position at the July 19 Los Angeles press event, however, he stipulated an overall health benefits package that included prescription drugs, dental, and vision, with Tesco providing 75% of the costs and a 90 day waiting period before benefits kicked in. While such a plan sounds promising, details about the nature of the medical benefits (e.g., whether it would be limited to catastrophic coverage) and the cost to employees, have yet to be identified. Tesco has also stated that it will offer benefits to its part-time workers. Because part-time workers tend to have a higher turnover rate than do full-time workers, it is unclear what role the 90 day waiting period might have on the rate of insured employees. These issues are particularly sensitive since the outcome of the 2003-2004 grocery workers strike led to a serious decline in the number of unionized workers with health benefits (from 94% covered in September 2003 to 54% in September 2006) due to establishment of the two-tier system. Tesco’s health benefits decision combined with its approach to a part-time work force could have a major impact on whether the number of uninsured will increase or decrease in the coming months.<sup>177</sup>

While the information above paints a general picture of the working environment at Tesco's U.S. stores, there are few indications of the workplace conditions for Tesco's distribution and supply chain workforce. The two major contractors that have come from the United Kingdom with Tesco -- Natures Way Foods (incorporated in the United States as Wild Rocket Foods) and the 2 Sisters Food Group—have, as discussed earlier, been strongly criticized for their relationships with their own contractors, which has included exploitation of immigrant workers and a range of other workplace concerns associated with the pressures imposed by Tesco on its supply chain operations. While there is no public information yet

on how Tesco and its contractors will operate in the United States, the reliance on the U.K. supply chain model may well create similar workplace concerns.

In sum, Tesco has not been forthcoming about all of its workplace and employment strategies. However, its focus on part-time work and indications that it will seek to shut out unions could lead to downward pressure on wages and benefits and reduce or eliminate important opportunities for accountability and feedback. Work-related supply chain issues are also still to be identified, further underlining the importance of instituting a system of accountability regarding fair and socially just employment practices.

# Tesco's Environmental and Health Profile

Tesco has promoted its environmental and health-oriented profile to an environmentally-conscious and health-focused consumer base in Los Angeles and the Southwest. It will duplicate some, though not all, of its U.K. initiatives on environment and health. For example, in the United States, Tesco has no plans to pursue a carbon footprint or country of origin label or to eliminate genetically modified food from all of its in-house brands. This section evaluates Tesco's promises and strategies to achieve a reputation as socially and environmentally responsible.

Tesco has been perhaps most forceful in attempting to secure its overall reputation for corporate social responsibility through its environmental and health initiatives; an approach that its chief executive Leahy, in a conversation with one of the co-authors of this report, argued would be "even more extreme" in its U.S. roll out.<sup>178</sup> Tesco's approach to environmental and health-related issues in the United States is likely to play a major role in the company's marketing strategy and serve as a prime example of its attempt to position itself as "cleverer and different," to use Mason's phrase. In doing so, Tesco has focused on how to link the initial niche it hopes to secure in the United States – freshness and convenient shopping with competitive prices – with the type of reputation for social responsibility that would appeal to a potential customer base concerned about the environment and healthy eating.

Pertaining to the environment, several approaches have been identified that seek to demonstrate Tesco's environmental focus in the United States. These include an initial pledge to utilize environmentally-oriented technologies for some of its trucking fleet, an interest in green building issues, strategies to reduce energy use, such as low energy lighting and modifying its freezers and refrigerators, and an expectation that it will carry organic items, including for its in-house brands. Most notably, Tesco has heavily promoted its installation of a solar roof covering half of its 820,000 square foot warehouse that it has begun to construct on a site in Riverside County. The solar panels will provide about 20% of the electricity for that operation.<sup>179</sup>

The company is in the process of developing and undertaking test runs of a fleet of "aerodynamic, fuel efficient and neighborhood-conscious trailers" to deliver to the Fresh & Easy stores. The trucks, Tesco states, will employ technologies to help reduce diesel and CO<sub>2</sub> emissions using electric stand-by units, hybrid refrigeration units and automatic engine shut-

off. They have also been designed to reduce neighborhood noise with roll up truck doors. The company, moreover, states that it will not undertake overnight deliveries, and it will insure that its trucks do not pass by schools at busy times.<sup>180</sup> What remains uncertain at this time, however, is how Tesco will be using its fleet to move products between Southern California, Arizona and Nevada in its initial roll out, given its decision to establish a cost saving centralized distribution system. Tesco's Riverside distribution center could potentially increase the distance between where the food is grown, where it is processed, how it is delivered, and where it is sold. The issue of the distance between where food is grown and sold, also known as *food miles*, has become a significant concern in the United States and in Europe, although Tesco public relations spokesperson Munoz argues that the issue is more prominent in the United Kingdom and would not be as strong a focus for Tesco's U.S. operation.<sup>181</sup>

Tesco's interest in showcasing organic products at its stores, similar to its approach in the United Kingdom, is designed to appeal to an environmentally-conscious customer base. Increasingly popular, organic products are now displayed in many of the chain supermarkets in Southern California and elsewhere. However, tensions have emerged within the organic food movement regarding the nature of the organic certification label, associated with the rise of what writer Michael Pollan and others have characterized as "industrial organic," that is food grown by large enterprises that often mimic many of the growing conditions of the large conventional farms.<sup>182</sup> Tesco's initial supplier of organic (and conventional) produce, Betteravia Farms, with its large acreage and worker base, and predominant conventional production methods in its non-organic fields, could conceivably meet that characterization. The decision to contract with Dean Foods (which will provide Tesco with yogurt and milk products) also raises the same issue,

Tesco public relations spokesperson Munoz argues that the [food miles] issue is more prominent in the United Kingdom, and would not be as strong a focus for Tesco's U.S. operation.

since Dean Foods and its Horizon label represent one of the prime examples, according to Pollan, of the industrial organic model. In addition, genetically modified food remains a key issue for many sustainable food advocates, and Tesco has not sought to eliminate or label products that contain genetically modified foods, other than to offer organic products that by definition would not contain any GMO ingredients. This decision to include genetically modified foods in the United States, contrasts with its U.K. policy for all of its in-house brands to be GMO-free.<sup>183</sup>

The concept of green building has also generated interest among Tesco executives. The company, according to Uwins, has begun discussions with the Green Building Council about possible LEED (Leadership in Energy and Environmental Design) green building certification for Tesco stores, although Tesco still has to make a final decision whether to commit to a LEED process (third party review) and designation, as a few other supermarkets have successfully achieved.<sup>184</sup> Among all its initiatives, it is Tesco's planned solar warehouse facility that has generated the most press interest, and been touted by the company in seeking to secure its environmental reputation. The location of the warehouse, however, is in an area that has witnessed a dramatic increase in warehousing emissions and diesel exposures due to heavy truck traffic. The construction of yet another large warehouse (and its related truck traffic) has been a significant concern for a number of local environmental groups, including the leading critic of the warehouse trend, the Center for Community Action and Environmental Justice.<sup>185</sup> Taking up more land than Anaheim's Disneyland amusement park, Tesco's warehouse plans are viewed as a major expansion of the warehouse stretch that

encompassed much of Riverside County's Moreno Valley.<sup>186</sup> "The Tesco deal validates the corridor," enthusiastically commented Dennis Rice, one of the key realtors developing new sites for warehouses. The emissions from the trucks and the facilities, however, have turned parts of the area into a kind of air pollution sacrifice zone, and the South Coast Air Quality Management District has identified the Mira Loma area adjacent to the warehouse corridor as the most polluted area in the United States and fourth most polluted in the world, in relation to particulate matter.<sup>187</sup>

Aside from its environmental profile, Tesco has voiced a strong commitment to stocking healthy food. A "chilled supply chain"<sup>188</sup> will help the company achieve its goal of not using trans-fats, or artificial colors or flavors in its in-house brands. Tesco has also pledged not to market unhealthy items to children (as have an increasing number of fast food and junk food companies, due to consumer protest and legal action)<sup>189</sup> nor have junk food near the check out lines. In addition, the company has made a decision not to sell cigarettes. However, the company remains committed to providing wine and liquor at its stores, a particular concern in low-income communities, as described previously.<sup>190</sup>

In sum, Tesco is actively pursuing an environmental and health-oriented profile and has pledged to pursue several initiatives to strengthen its reputation in this area. However, various aspects of Tesco's operation, such as its warehouse, purchasing and supply chain decisions, and the labeling and product selection approaches it pursues, create a more nuanced and complex picture of Tesco's commitment to the environment and health.

# Establishing a Supply Chain in the U.S.

Tesco has brought in several of its major U.K. suppliers to help establish its U.S. supply chain and duplicate some of its U.K. innovations, such as chilled food products. Early indications suggest that many of its U.K. supply chain approaches – e.g., in-house brands or a focus on “glocalization” linking a local emphasis with global practices – will be applied in the United States. However, Tesco has not directly committed to developing a local food sourcing approach to reduce the distance from farm to fork, and to emphasize support for small local and regional farmers, as it has done through specific initiatives in the United Kingdom.

As with all of its U.K. and international operations, how Tesco organizes and operates its supply chain will be a key factor in identifying its business model. There are already strong indications, given its reliance on its major U.K. supply chain companies, its significant reliance on a U.K.-imported management group, and the touting of its U.K.-inspired “fresh” model, that its U.S. initiatives may well mimic more of the global, than the local, in its rollout strategy. Nevertheless, Tesco executives such as Mason have made a point that Tesco wants to speak “American” and cater its product selection to U.S. consumer tastes.<sup>191</sup> According to Mason, Tesco’s “intent [is] to get under the skin of American consumers...[and] reach a broad span of consumers from wealthy sub-urbanites to inner-city families by offering fresh, quality and fair priced products that all Americans can identify with” (e.g., those with “an affinity for steak and coffee.”)<sup>192</sup> “There will be no Twiglets<sup>193</sup> here,” Mason concluded, since they are “apparently too disgusting for the American palate.”<sup>194</sup>

The heart of the Tesco supply chain strategy then is not so much the attempt to synthesize the local and the global, but to reframe the way supermarkets operate within the United States. With its new centralized distribution, its heavy focus on in-house brands, its sourcing system, and its various supplier relationships, Tesco’s Fresh & Easy model is new.<sup>195</sup> Rivalled only perhaps by Wal-Mart, Tesco’s size and supply chain influence suggest enormous potential impacts on local and regional growers and processors, as well as the possibility (or lack thereof) for consumer access to locally grown and sustainable foods.

Community food advocates who emphasize the need for sustainable and locally grown food pay special attention to how a supply chain is organized and operated, particularly as important parts of the food system take on a global character. Increasing



concentration and globalizing trends in the growing, processing, manufacturing, distribution and sale of food has in turn squeezed small, regionally-oriented farmers, small processors and producers, and independent stores. On the other hand, community food movements have been effective in developing counter strategies such as farmers’ markets, community supported agriculture (CSAs), cooperative food stores, market basket programs, and farm to institution strategies that have become increasingly popular with consumers interested in fresh and healthy, sustainable, local, and good tasting food. The W.K. Kellogg Foundation has estimated that about 2% of the food supply in the United States meets the criteria of locally and sustainably grown food, a figure that Kellogg and other community food advocates argue needs to be increased to at least 10% in the near term if it is able to counter the globalizing tendencies that have become endemic to the food system.<sup>196</sup> Tesco’s arrival in the United States, along with several of its U.K. suppliers and contractors underlines the globalization dimension of the Tesco initiative, even as it seeks to emphasize the importance of “freshness” in its marketing and

Tesco delivery truck. Photo by didbygraham.

Rivalled only perhaps by Wal-Mart, Tesco's size and supply chain influence suggest enormous potential impacts on local and regional growers and processors.

branding approach.

As Tesco began to develop its plans in the United States, it decided to bring its two British suppliers, Natures Way Foods and The Two Sisters Food Group, as a reflection of "its desire to avoid unpleasant surprises and a belief in the industry that the prepared meals business in the United Kingdom and Europe delivers higher standard products than currently seen in the U.S."<sup>197</sup> In addition, Tesco also contracted with another of its U.K. suppliers, Polymer Logistics, which will be supplying the plastic pallets Fresh & Easy uses for packing and delivering.<sup>198</sup> The company will also, according to the website of R-Design, be using the same U.K. design firm for labels at the Fresh & Easy Market as they use for labels in the U.K. and elsewhere.<sup>199</sup> Tesco's transplanted suppliers, similar to their U.K. operations, are preparing to establish a range of subcontracts for the sourcing of produce, and for the production of chilled and ready-made in-house products. Along these lines, 28 potential subcontractors, as well as additional suppliers and California farms, have already been identified. The first significant subcontractor that has been identified is Bonipak Fine Foods, a food processor and packager, and its agricultural entity, Betteravia Farms. Bonipak has the capacity to make the chilled ready-made salad products, due to its cooling facility, which is the largest of its kind between Los Angeles and Salinas. Bonipak also operates globally through its export division, which was established in 1996, and services customers in Japan, Taiwan, China, Singapore, Mexico and Canada. In addition, Bonipak has expanded in the past several years into the organic market by growing and marketing organic celery, broccoli, cauliflower, romaine, spinach and mixed leaf items to meet a rapidly growing organic demand. Finally, Bonipak can provide Tesco's Fresh & Easy with a year-round supply of cold packed salad and vegetable products from their "off-season" farms and cold pack house in Yuma, Arizona.<sup>200</sup>

Bonipak's farming entity, Betteravia, boasts of being the nation's 16th largest in terms of acres farmed, with over 14,000 acres in Santa Maria, CA and an additional 3,000 acres throughout California and Arizona.<sup>201</sup> As part of its relationship with Tesco, Betteravia will harvest lettuce greens, broccoli and carrots from one or more of its farm sites. The harvested produce will be picked, packed and put on pallets in the field and then delivered to Bonipak's cold storage facility to be chilled and repacked and shipped. Bonipak trucks will then travel to the processing facility in Riverside, California where the food will be processed and packaged with

the Fresh & Easy label. From there, the salad mix and pre-cut vegetables have to make the journey to each of the 100 individual stores.<sup>202</sup>

In addition, Tesco's U.K. partner and supplier, 2 Sisters Food Group, intends to contract with A Perfect Product Always Fine Foods (APPA) for some of its poultry, meat and seafood products.<sup>203</sup> APPA is a marketing and distribution firm selling over 200 meat and specialty products to stores such as Trader Joe's, Whole Foods, Albertson's, Wal-Mart, Sam's Club and Costco.<sup>204</sup> APPA recently moved its cooked poultry operations from California to Denison, Iowa, indicating a desire to place APPA processing facilities closer to where its raw poultry products will be sourced.<sup>205</sup>

A central feature in Tesco's organization of its supply chain is the importance it has placed on in-house labels. Tesco has stated that 50% of its products will carry such in-house labels, a percentage considerably higher than the average amount of 32% that are carried in American grocery stores.<sup>206</sup> As noted earlier in this report, Tesco's relationships with U.K. in-house label producers create a range of pressures that have led to supplier-related workplace, production and environmental concerns. Of principal concern is the treatment of farmers and farm workers and of processing facility employees, warehouse workers and truckers who handle and deliver Fresh & Easy products. Providing an independent review or audit of the different suppliers involved in Tesco's supply chain could help identify where problems and abuses may exist, although Tesco will rely instead on its own review process and will call on independent auditors "where necessary."<sup>207</sup>

Typically, U.S. suppliers of processed food products deliver food directly to individual supermarkets, allowing suppliers to exercise regional price controls, manage on-site production and determine driving routes. In contrast, Tesco's model is characterized by centralized distribution and significant control over the supply chain.<sup>208</sup> U.S. suppliers hoping to capitalize on Tesco's emerging markets will have to adapt to Tesco's distribution requirements, or be excluded from the Tesco enterprise. The Credit Suisse report on Tesco states, "[The] central distribution [model] is undoubtedly a non-negotiable component of a successful business model," and it will most likely require suppliers to comply with Tesco's new business model.<sup>209</sup> Centralizing delivery, processing and packaging can reduce costs associated with food handling, minimize produce shrinkage and cut down on delivery times, allowing Tesco to remain cost competitive with other

supermarkets, and gain a competitive advantage.<sup>210</sup>

While Tesco's primary suppliers may work with a few small to medium sized farms, the structure of the system and its basic economies of scale will likely complicate such arrangements. In order for Tesco to service over 100 stores, let alone 500 stores, it cannot depend on farmers with varied supply schedules, subject to seasonal fluctuations and with limited capacity for product standardization. This obstacle generally precludes arrangements between smaller farms and other large supermarket chains. However, in marketing its "fresh" identity, Tesco may well provide the impression that it is sourcing a greater quantity of local products than its competitors are. Presently, Tesco has made no mention of establishing regional buying teams or offices like those they have used in

the United Kingdom to buy direct from smaller U.K. farms.

In sum, Tesco has essentially imported a supply chain model with a proven record of accomplishment. The company's standardized management approach, reliance on some of its same U.K. suppliers, a central warehouse and distribution strategy, strong emphasis on in-house products, and promotion of fresh, chilled, ready-made meals, all serve to illustrate how its supply chain will be developed and structured. What is yet to be determined, is what impact Tesco's model will have on the U.S. food system, especially with respect to small farmers and producers, air quality related to goods movement and labor practices associated with immigrant workers.

# Tesco in the U.S.

## Questions that Remain

The system of “glocalization” that has been associated with Tesco, presents an important challenge that lies at the heart of the transformation of the food system itself, and the labor, environmental, cultural and health consequences of that transformation. Is a neighborhood food market truly part of the neighborhood if the products it offers are conceived and designed as part of a global business model? Can fresh food access be improved as a company increases its market share, if the majority of its stores are located in suburban and middle-income communities? Does the fact that Tesco has identified a company goal to address the problem of “food deserts” make it potentially more accountable for fulfilling that goal? Can such markets be a “great place to work” if jobs are part-time? Should a global corporation, with a model union partnership in its home country, take an antagonistic approach to its relationship with unions in the United States? Can the company achieve its primary marketing goal of achieving what Leahy has suggested will be an even “more extreme” version of its environmental identity in the United States, while increasing local environmental impacts through its centralized distribution and procurement system that potentially shuts out small local and regional farmers and producers? Can Tesco shed its global identity and provide food that is locally and culturally specific if it doesn’t develop a direct mechanism for local, community input, adopting instead a standardized identity with identical products at every store? The answers to these questions are not solely dependent on Tesco and the decisions it makes, but will be answered in part by how communities respond to the new global player on the block.

# Section 3: To Be a “Good Neighbor”



Checking out food items at a  
Tesco Store.  
Photo by Lord Biro.

# The Importance of Policies, Community-Based Agreements, and Accountability

Evaluating Tesco's promises and track record can allow residents, shoppers, policymakers, food activists, and community, environmental, and labor groups to identify the areas where Tesco should be held accountable for its store and supply chain developments. Like Wal-Mart, Tesco's role as a giant, global corporation has a significant impact on the health, working conditions, fresh food access, environmental quality and other important needs of a community. This section provides recommendations for how Tesco can operate responsibly in each of these areas and what policies, community agreements, and regulatory actions can be undertaken to insure such accountability.

In 2003, as part of a strategy to reinforce its dominant position in the food-retail business, Wal-Mart announced ambitious intentions to locate 40 new Supercenter stores in California. Wal-Mart, however, ran into significant community opposition in a number of neighborhoods where it hoped to develop Supercenter stores. A protracted struggle in the working class community of Inglewood in Los Angeles County, for example, drew national attention. In the case of Inglewood and several other locations, Wal-Mart has not been able to build new Supercenters. Some financial analysis, such as a Bank of America assessment of the anti-Wal-Mart campaigns, have noted that Wal-Mart has been forced into a defensive posture that has included a reassessment of its Supercenter plans in the United States.<sup>211</sup>

In contrast to the Wal-Mart conflict, other disputes over controversial developments, such as a developer's plans to build the Staples Center sports complex in downtown Los Angeles, have been resolved through negotiations between developers and community groups. A *community benefits agreement* (CBA) reached for the Staples Center complex allowed the development to proceed, but shaped those plans to meet important community, environmental, and labor concerns about the project. In the case of Staples, provisions of the community benefits agreement included relocation of residents whose housing was demolished, environmental mitigations, re-employment of the preexisting work force, and living wage provisions for Staples Center employees. Such community benefit agreements have since been negotiated to resolve other protracted conflicts where proposed developments affected the interests of local communities, including environmental and labor impacts.<sup>212</sup>

Aside from the community benefits agreement model, there have also been direct strategies for public

intervention in the food and food retail arenas. These can take the form of policies, regulatory provisions, or incentives to accomplish specific goals such as increased food access to fresh and healthy foods, worker rights and benefits, and environmental and land use considerations.

This section identifies how the concerns and opportunities raised by Tesco's record and plans can be addressed through community-based agreements or some form of public action to address concerns around food access, labor, community needs and the environment. The section identifies priority goals in these areas, with additional recommendations included in a chart. These recommendations are guided by four assumptions.

The first assumption is that *accountability is crucial*. As Tesco enters the United States, the chain is pledging to be a good corporate citizen and is making a number of claims around such issues as food access and environmental impacts. Financial analysts, however, suggest that Tesco is investing in the United States in part due to our reputation as an 'unregulated' market – at least in comparison to the United Kingdom.<sup>213</sup> Proactive pledges by the company should not be viewed as merely public relations claims; they should be seen as an invitation to negotiate with Tesco for binding commitments to live up to its words. To ensure that Tesco's Fresh & Easy markets will actually benefit neighborhoods, and that Tesco's entry will shift the local food retail sector in a positive direction, Tesco should be held accountable through enforceable obligations in the form of such CBAs and/or local legislation or other forms of public input and intervention. To the extent that Tesco intends to play a positive role in the communities it invests in, then the company should welcome the chance to engage in a dialogue with stakeholders around community benefits.

The second is that *standards around food access, worker rights, environmental protection and supply chain issues – the four areas to be discussed below – are interconnected.* Healthy regions and neighborhoods require progress in all of these areas. Community interest in good jobs, healthy food and clean environments should not be pitted against each other. Commitments relating to one of these topics do not make up for a lack of action in other categories.

The third assumption is that *multinational corporations should not adopt weaker standards when they operate abroad.* As one of the world's leading multinational food retailers, Tesco's operations and affiliates in the United States have an ethical obligation to adopt practices that are at least as protective of workers, communities and the environment as its practices in the United Kingdom

The fourth assumption is that *expectations and community benefit agreements for how Tesco operates need to apply to other large grocery chains.* The entry of a major new player into a market is an opportunity for all competitors to raise their standards. Tesco's choices and any community benefit agreement or regulation will influence whether other grocery stores operating in Southern California compete on the 'high road' of higher quality food, service for all communities, environmental sustainability, support for local and sustainable food growing and production practices, ethical practices along the supply chain, healthy food products and marketing, and loyal, well-treated workers – or take the 'low road' of cutting wages and redlining low-income areas, squeezing small suppliers, and making limited commitments to sustainable food production even as it promotes itself in that manner.

Listed below are key recommendations in the four areas of food access, worker rights, health and the environment, and the supply chain. In addition, a fifth area, "Community," has also been developed, since the Tesco approach – "Be a Good Neighbor" – has so strongly identified the importance of community. Beyond the key recommendations, a detailed "road map" of recommendations concludes the report.

## I. Food Access

- **Tesco and other supermarkets should set a target goal for the number of stores they will locate in food deserts, and pay into a linkage fund if they fail to reach the target percentage.**

To Be a "Good Neighbor"

Obesity has become a public health problem of paramount importance. In Los Angeles County, it is estimated that over half of adults are overweight or obese.<sup>214</sup> Physical activity and diet are both important factors that influence weight and health. Studies have shown the importance of a healthy food environment to enable consumers to make healthy food decisions.<sup>215</sup> In too many communities, it is hard to access healthy, affordable food.<sup>216</sup>

### Low-income Locations

The entry of a new food market chain is an opportunity to reduce the 'grocery gap' that exists in many regions, with far fewer grocery stores per capita in low-income areas and communities of color than in middle/upper income and predominately white suburban neighborhoods.<sup>217</sup> Tesco needs to identify a goal for how many of its stores it will locate in low-income communities, defined in part by the percentage of those in a given area (e.g., census tract) that are below the poverty level.<sup>218</sup> If the company fails to reach the target percentage, then Tesco/Fresh & Easy could pay into a linkage fund each time it opens a new store in middle or upper income areas. The proceeds would in turn help jurisdictions attract healthy food stores to underserved neighborhoods. The target percentage and linkage fund policies should be made applicable to all supermarket chains. The initial focus on Tesco, with its strong promotion of locating its stores in low-income communities, represents an opportunity to introduce such an approach.

## II. Workforce

- **Tesco needs to provide opportunities for full-time employment and pay its workers a living wage, calculated on a weekly basis, with decent, affordable health benefits.**
- **Tesco should adopt its U.K.-based partnership approach with unions and promote unionization among its workforce.**

In Southern California, most major grocery chains are unionized, and jobs in the grocery sector were until recently considered to be among the remaining decent employment opportunities that allow service sector workers to support a family and obtain health insurance. A lock out and strike in 2003 showed the disruptions that can arise from poor labor relations

The entry of a new food market chain is an opportunity to reduce the 'grocery gap' that exists in many regions.

and companies determined to wrest concessions from workers. In addition, a protracted campaign was waged against the Wal-Mart Supercenters in part because of its wage and health benefit policies, its hostility to unions, and its potential to undermine unionized chains with decent existing wage and health benefits. The labor practices adopted by Tesco and its competitors therefore will have major impacts on the rights and livelihoods of thousands of workers as well as the communities that need living wage jobs for meaningful economic development.

### Full-time workforce with living wages and health benefits

One of the ways that companies like Wal-Mart have avoided higher wage scales and health benefits is by employing many part-time workers and experiencing high turnover rates that comes with the focus on a flexible work force. Tesco needs to commit that workers interested in full-time employment should be allowed to work full-time schedules and that company policies encourage longer-term employment of its work force. Tesco should pay all its workers a living wage, calculated on a weekly basis, and provide decent health care and other benefits. Too many service sector jobs pay low wages, resulting in an increase in the number of working poor—people who are employed, but are hard pressed to pay for housing, food and other necessities of life.<sup>219</sup> Tesco could ensure that it pays at least living wage levels that are family supportive. It also needs to insure that its health benefits package is comprehensive and affordable.

### Union Relationship

One of the best ways to ensure that workers receive a living wage and decent benefits is to encourage union representation. Workers in unions can bargain collectively to protect their rights and benefits, and collaborate with the employer on workplace innovations and customer service. Tesco must respect the right of its workers to join unions and indeed, it is in the company's interests to establish good relations with American labor unions. The company should promote unionization among its workforce or at least adopt a neutral stance towards unions seeking to organize Tesco employees. In the United Kingdom, Tesco encourages its employees to join Usdaw, for example, by showing a video promoting union membership to

newly hired workers. In its Fresh & Easy stores, Tesco could allow the same access to unions. To begin with, the company needs to open discussions with unions (an approach it has not pursued to date). It also needs to adopt further a policy of neutrality towards labor unions, which includes not propagandizing against unions, or encouraging or threatening workers to vote no in organizing elections, or otherwise prevent union memberships. Tesco ought to reject the practices of some notoriously anti-union U.S. corporations, such as hiring anti-union consultants or law firms, harassing or retaliating against workers who are trying to organize, or shutting down stores that vote to unionize, or appear poised to vote to affiliate with a union.

## III. Environment and Health

- **Tesco should implement a green building certification for its stores and establish a land use and transportation approach that encourages walking and biking and provides transportation opportunities, such as a van service, for shoppers who don't have cars.**

The operations of food retail companies like Tesco have significant environmental impacts. They influence how consumers drive and shop, how products are manufactured, packaged, shipped and disposed of and how farmers grow food. Tesco has announced a number of plans to reduce its climate change impacts and other environmental and health-based programs, although opening hundreds of new stores and creating a distribution system from scratch in the United States will no doubt add significantly to the company's global emissions. Nonetheless, the company has the opportunity to design and site stores and shape its business model in this country to minimize energy use, pollution, and waste.

### Sustainable Land use and design

Tesco should design and site new stores (or adapt existing buildings) to follow principles of green design and smart growth. Stores need to be energy efficient, use nontoxic and renewable building materials, and where feasible, include solar panels. Tesco ought to implement LEED green building certification for its Fresh & Easy stores to demonstrate commitment to sustainable design and should make information on

stores' environmental features available to customers and community members.<sup>220</sup> Stores should be as compact as possible and the amount of space dedicated to parking should be minimized. Lot design and landscaping should feature low water plantings and water permeable surfaces. As mentioned in the food access section, proximity to transit needs to be a priority for determining store location, so that customers do not need to drive to shop. Tesco should prioritize locations in transit-oriented and mixed-use developments.<sup>221</sup> For those customers without cars, particularly more pronounced in low-income, food insecure communities, Tesco could provide a van service. Stores should also feature pedestrian and bike-friendly design and orientation to encourage shoppers to walk and bike to the store and to integrate the store more effectively with the surrounding neighborhood.

## IV. Supply Chain

- **Similar to programs in the U.K., Tesco should adopt initiatives to purchase locally produced products, especially locally grown food.**

Supply chain issues are a critical, yet often obscure part of how a food retail giant like Tesco can be evaluated on its commitment to being a socially responsible corporation. The company's approach to sourcing products is a key dimension of a supply chain. Along those lines, whether and how a company can help support and sustain local growers and producers represents a strong indicator of such a commitment.

### Buy locally and support local farmers

A crucial way to develop a socially responsible supply chain as well as minimize transport and resulting pollution and greenhouse gas emissions, is to buy locally produced products, especially locally grown food. Tesco needs to set aggressive targets for procuring local agricultural products, construct its distribution system to work with local growers, incentivize its staff and food preparation subcontractors to buy locally, and pay farmers fair prices so that they can build good relationships with local farmers. Local food items should be labeled and promoted to shoppers and

Fresh & Easy stores can feature farmer visits to allow consumers to meet the people who grow their food.

## V. Community

- **Tesco should establish direct mechanisms for community dialogue and input, such as community advisory committees, at each of its stores, as well as one for the company as a whole.**

Community members and organizations can provide useful input on the design and operation of a food store in their neighborhood. The advice can help a store be a good neighbor and also attract and maintain customers. In many communities that have been underserved by food retail, there is high demand for stores selling high quality, healthy, and affordable food. Individuals living in the area and community organizations will understand the history of grocery stores in their neighborhood, can help identify challenges and opportunities for succeeding in their location, and will know what expectations residents have of stores.

### Community Advisory role

To tap into residents' practical knowledge and give them a voice in an important retail asset, Tesco should establish ways for community members to engage in a dialogue with each store as well as with the company as a whole. This communication can occur through a variety of forums but the most useful is likely to be the establishment of store-specific community advisory committees. These committees can help advise stores on local food and shopping preferences and what items are not adequately stocked in other retail outlets. This advice can help Fresh & Easy offer foods that are culturally appropriate on a store-by-store, neighborhood-by-neighborhood basis, particularly important in highly diverse communities. Advisory roles will also allow community members to suggest innovative transportation programs, connections to important community events, and other ways that stores can serve local needs and build customer loyalty.

# A Road Map for Accountability

The key recommendations listed above provide a priority list of the important areas to engage Tesco as it seeks to establish its U.S. market. These recommendations ultimately need to be seen as part of a more comprehensive set of policies, regulatory and administrative actions or areas for community engagement that could establish Tesco – and other supermarket chains – as “good neighbors” and “socially responsible” companies, both of which are key slogans and identified company goals of the giant British retailer. We have organized a road map of “good neighbor” and “socially responsible” actions that Tesco and other chains could and should follow, based on the evaluation of those issues and practices in this report. The table that follows is also organized by the same issue areas (food access, workplace, health and environment, supply chain, and community) as those for the key recommendations. The recommendations are classified according to Tesco’s own track record, as well as areas for innovation or action that are new to the company, but that have been identified by community advocates or implemented by other stores or companies. The classification includes:

- **Follow through.** Tesco has already made these commitments for how it will operate in the United States. The company should follow through on these pledges.

- **Import.** These are positive policies or practices that Tesco carries out in its home market of the United Kingdom. Tesco should ‘import’ these practices to the United States

- **Embargo.** These are recommendations designed to avoid or fix problems associated with Tesco’s operations in the United Kingdom. Tesco should not bring its negative practices to the United States

- **Adopt.** These are positive policies or practices that other food stores have implemented. Tesco should adopt these good ideas.

- **Innovate.** These are recommendations from community groups or researchers that have not necessarily been put into practice yet. In launching a new U.S. affiliate, Tesco has the opportunity to be an innovator and implement some of these ideas.

## Food Access

Issue	Recommendation	Status
Food Deserts	Commit to a percentage of stores in food deserts, and/or pay into linkage fund.	Adopt, Innovate
Transportation Access	Provide free shuttle service to customers. <sup>222</sup>	Adopt
Public Transportation	Site stores near existing transit stops. <sup>223</sup>	Adopt
Public Transportation	Work with cities and transportation agencies to improve public transportation options to store locations. <sup>224</sup>	Innovate
Food selection	Ensure that there will be at least as wide of a selection of healthy items in low-income store locations as there are in high-income store locations. <sup>225</sup>	Follow Through <sup>226</sup>
Food affordability	Ensure that food in stores in lower income areas will be at least as affordable as in stores in higher income locations.	Follow Through/Embargo <sup>227</sup>
Food quality	Ensure that food quality in stores in lower income areas will be at least as good as in stores in higher income locations. <sup>228</sup>	Follow Through <sup>229</sup>
Fresh food access	Host farmers’ markets in store parking lots. <sup>230</sup>	Adopt, Import <sup>231</sup>

## Workplace Practices

Issue	Recommendation	Status
Living wage	Pay workers a weekly living wage.	Adopt
Health benefits	Provide affordable health coverage for employees and their families.	Adopt
Union relationship	Partner with unions and promote unionization among its workforce.	Adopt, Import
Worker retention policy	Retain current employees if store is bought or sold. <sup>233</sup>	Adopt
First source hiring	Prioritize training and hiring local residents. <sup>234</sup>	Import, Adopt <sup>235</sup>

## Environment and Health

Issue	Recommendation	Status
Green Building	Obtain LEED certification for store locations and distribution facilities.	Adopt, Innovate
Minimize truck idling	Minimize idling by delivery trucks. Utilize alternative fuels to reduce emissions.	Follow Through <sup>236</sup>
Air transport	Limit goods transported by air to less than 1 percent of all items.	Import <sup>237</sup>
U.S. carbon footprint	Track and publicize greenhouse gas emissions from U.S. operations and label carbon footprint of products.	Import, Innovate <sup>238</sup>
Shopping bags	Promote reusable bags as a first priority and recycling of bags and use of recycled paper and degradable or compostable plastic bags as alternatives. <sup>239</sup>	Import, Innovate <sup>240</sup>
Packaging	Reduce packaging of products as a priority and use certified and recycled paper products and recycled or degradable plastics.	Import, Innovate <sup>241</sup>
Promotion of Healthy Items	Design stores, displays and promotions to feature healthy items like fresh fruits and vegetables in visible locations. <sup>242</sup>	Adopt, Innovate
Display of junk food	Exclude junk food from check out counters and displays near entries. <sup>243</sup>	Follow Through
Private label ingredients	Prepare in-house label items with healthy ingredients so that these items are low in fat, sugar, and salt, free of trans fats and artificial colors and flavors, and minimally processed.	Adopt, Follow Through <sup>244</sup>
Junk food marketing	Not advertise in any media with characters or messages that might appeal to children nor advertise unhealthy items popular among children.	Follow Through, Innovate <sup>245</sup>
Organics	Sell a wide selection of organic items.	Import <sup>246</sup>
Beyond organics	Sell and label rBGH-free dairy products, free range and cage free poultry and meats, and meat from animals raised without non-therapeutic hormones.	Import, Adopt
GMOs	Exclude foods with genetically modified ingredients from private label items and require labeling of third party brands with GMOs	Import, Adopt <sup>247</sup>
Fast food partnerships	No hosting of fast food stores/kiosks inside Fresh & Easy shops. <sup>248</sup>	Innovate

## Supply Chain

Issue	Recommendation	Status
Local sourcing	Source produce and meat from local farmers.	Import, Adopt
Code of conduct for suppliers	Adopt independently-monitored code of conduct to ensure workers at domestic and international suppliers have good working conditions. <sup>249</sup>	Adopt, Innovate
Fair treatment of subcontractors	Not abuse market power in dealing with suppliers and subcontractors. <sup>250</sup>	Embargo
Distribution network	Design distribution system to minimize miles traveled and diesel emissions. <sup>251</sup>	Innovate
Country/state of origin labeling	Label by state or country of origin where produce/meats/dairy were grown or raised.	Import, <sup>252</sup> Innovate
Fair trade products	Sell and label fair trade items like coffee, chocolate, flowers, and bananas. <sup>253</sup>	Import, <sup>254</sup> Adopt

## Community Partnership

Issue	Recommendation	Status
Community input	Establish community advisory committees or other mechanism for community dialogue.	Adopt
Alcohol sales	Not sell alcohol in neighborhoods with too many liquor stores where liquor sales are a contested issue. <sup>255</sup>	Innovate
Community benefits fund	Dedicate a percentage of sales to neighborhood improvements and regional charitable contributions. <sup>256</sup>	Follow Through, Innovate
Real estate holdings	Not hold vacant properties for lengthy periods of time. <sup>257</sup>	Embargo
Subsidy accountability	Release employment data related to subsidies and tax breaks and agree to refund subsidies if conditions not met. <sup>258</sup>	Adopt, Innovate
Hypermarkets/ Supercenters	Not open huge hypermarket format stores in the United States. <sup>259</sup>	Embargo, Follow Through <sup>260</sup>
Traffic	Design and site stores and traffic management plans so entrances are safe and traffic does not burden neighborhoods.	Follow Through <sup>261</sup>



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Hopfinger, Jennifer. "Measuring Success by Counting 'Carbs,'" *Shopping Centers Today*, [http://www.icsc.org/srch/sct/sct0707/feature\\_carbs.php](http://www.icsc.org/srch/sct/sct0707/feature_carbs.php).

221. In Portland, OR, a Whole Foods Market occupies two stories of a mixed-used development below office space. Seattle, Puget Consumer's Coop, a chain of seven food stores, has a location in a mixed residential/retail building. Both of these examples have underground parking and are near transit stops.

Heather Strouder. 2004. "Grocery Stores in City Neighborhoods: Supporting access to food choices, livable neighborhoods, and entrepreneurial opportunities in Madison, Wisconsin," *Office of the Mayor, Madison, WI*.

222. A study by UC Davis researchers found that grocery shuttles not only could improve access to stores but also increase profits for markets. The study highlighted two successful shuttle programs operating in the City of Los Angeles. Numero Uno Market, a small chain of supermarkets serving inner-city Los Angeles neighborhoods, maintains its own fleet of vans and provides customers a free ride home with a minimum purchase of groceries upon request. Three Ralphs supermarkets in the Los Angeles area contract with a shuttle company to offer the same service. The keys to a successful shuttle program are to make sure that service is frequent enough that customers do not have to wait hours to get a ride home and to promote the service so people are aware that they can take advantage of it. One shuttle program in Newark, New Jersey, is also operated by the community group that worked out its community benefits-type agreement with a Pathmark store. If a community benefit agreement were to be adopted that included an option like a van service, community groups could be part of the advocacy for reducing the amount of parking requirements for a store, thus also reducing land costs for Tesco.

Mohan, V. and D. Cassady. 2002. "Supermarket Shuttle Programs: A Feasibility Study for Supermarkets Located in Low-Income, Transit Dependent, Urban Neighborhoods in California," *UC Davis, Center for Advanced Studies in Nutrition and Social Marketing*, November, <http://socialmarketing-nutrition.ucdavis.edu/Downloads/ShuttleReport.pdf>.

223. Mohan, V. and D. Cassady, "Supermarket Shuttle Programs."

224. For more information on proposals for integrating food access priorities into transportation policy please refer to "Transportation and Food: the Importance of Access," UEPI, 2002.

225. A core health concern for many urban neighborhoods is that the food retail stores located in these areas - primarily convenience stores, corner markets, and liquor stores - do not carry a wide enough range of healthy items like fresh fruits and vegetables, whole grain breads, low fat dairy, and lean meats. For example, store surveys conducted by Project CAFE, a coalition of community organizations and academic institutions working for greater healthy food access in central and south Los Angeles, found that the average convenience/corner/liquor store in the surveyed areas were missing more than half of the healthy food items on USDA's Thrifty Food Plan shopping list.

"Food Access in Central and South Los Angeles: Mapping Injustice, Agenda for Action," Project CAFE, May 2007.

226. Tesco has stated that all its stores will stock similar items and that it would provide a community input process to monitor and provide feedback about the store's selection of fresh food and food quality.

Personal communication with Simon Uwins, July 13, 2007.

227. Personal communication with Simon Uwins, July 13, 2007.

In addition, Tesco's prices in mainstreet location shops in the United Kingdom are sometimes higher than prices in suburban locations. The company's website states that "Our prices are a little higher in some of our town centre and neighbourhood stores because costs are higher there. Stores in town centres are typically smaller and have higher overhead costs (mainly rents and rates) per square foot of selling space than those outside the centre. Higher overhead costs are spread over a smaller volume of sales, and can only be recouped by charging prices that are, on average, higher (prices are on average 2-3% higher in our Express stores and in a few of our Metro stores than in our larger stores on the edge or outside town centres). We believe it would be unfair to use our big stores to subsidise the prices in our smaller stores, so we don't do it. This way everyone gets a fair deal."

Tesco PLC. "Talking Tesco: How we Compete", <http://www.tesco.com/talkingtesco/lowPrices/>.

228. Food sold in low-income neighborhoods is sometimes in poor quality, with wilted or rotting produce, darkened meat, and items sold past the printed expiration date. For more information on this issue please refer to "Food Access in Central and South Los Angeles: Mapping Injustice, Agenda for Action," Project CAFE, May 2007.

229. Personal communication with Simon Uwins, July 13, 2007.

230. Farmers' markets are another source of healthy, affordable food that is often lacking in low-income neighborhoods. Where space permits and where there are not farmers' markets already located nearby and arrangements can be made with local farmers' market associations as to market viability, on site farmers' markets (which are now available at several stores such as Whole Foods and Wild Oats around the country) can attract customers, create relationships with farmers, and increase purchases of non-fresh food items from the hosting stores.

231. Tesco has touted its relationship with a British farmers' markets association to open a market in the parking lot of a Tesco store in Utttoxeter.

Tesco PLC. "TESCO and Market Towns," [www.tesco.com/everylittlehelps/downloads/TescoCR\\_MarketTowns.pdf](http://www.tesco.com/everylittlehelps/downloads/TescoCR_MarketTowns.pdf).

232. There are separate regulations governing acceptance of food stamps for packaged foods, which might be a significant concern in any of Tesco's Fresh & Easy stores where there is widespread use of food stamps.

233. The recent history of food retail companies in Southern California is one of industry consolidation. Changes in ownership can disrupt workers' lives as new owners close stores, fire workers with seniority, or challenge hard-won benefits. Tesco is currently planning to open its own new stores rather than acquiring local chains. The company could, however, change its growth strategy as it expands in this country. Or Fresh & Easy could eventually be sold to a competitor or investor if Tesco decides to withdraw from the U.S. market or sell some of its units. In either situation, Tesco should follow policies similar to the Worker Retention Ordinance of the City of Los Angeles, Administrative code, Section 10.36 which could be adopted for all regions in which its stores are located. This will ensure that if a store closes, or is bought out by another company, the new store will be required to initially hire the

same employees. This will help workers achieve greater job security.

234. Many low-income communities would welcome new grocery stores both for improved food access and as an economic development opportunity. To ensure that a local community—the customers who are spending money at a Fresh & Easy shop—benefit economically from a new store, Tesco should adopt an explicit Local Hiring Program that can receive input from local community groups, beyond its initial comments that it will try to seek out local employees. Such a program would require stores to hire a certain percentage of workers from certain surrounding zip codes, or from a First Source Program, which is often a community group or government program that recruits, screens and sometimes trains employees. Where necessary, Tesco/Fresh & Easy should assist in supporting and providing space for these programs.

235. In the United Kingdom for certain stores in so-called Regeneration areas (low-income areas in need of reinvestment, or what we would call redevelopment or enterprise zones in the United States), Tesco has adopted a policy of guaranteeing a job to all job trainees who complete a training program. The company should do the same in its low-income U.S. locations.

*Renewal.net*. Tesco Regeneration Partnerships-Alloa Store.

236. Fresh & Easy delivery trucks are designed to reduce diesel emissions and the company promises that trucks will not idle while at stores or use diesel engines to run refrigeration while parked at the central distribution center.

*Progressive Grocer*. “Tesco’s Fresh & Easy Drives First ‘Green’ Fleet Tractor,” May 23, 2007.

237. Tesco PLC. *Corporate Responsibility Review 2007*.

238. Tesco PLC. *Corporate Responsibility Review 2007*.

239. Tesco should take steps to minimize plastic and paper packaging and the use of disposable bags. Store locations should prominently display and promote the use of reusable bags and there should be financial incentives for customers who bring their own bags, similar to Tesco’s club card policy in the United Kingdom, Tesco’s Fresh & Easy should collect and recycle paper and plastic bags.

240. “In 2004, we were one of the first supermarkets to introduce degradable plastic carrier bags in our U.K. stores. These bags break down in as little as 60 days into biomass, carbon dioxide, water and mineral water, with no harmful residue, unlike conventional plastic carrier bags. An estimated 719 million degradable carrier bags have since been used by our customers, which means that the equivalent of 6,035 tones of non-degradable plastic has been offset.”

*Tesco PLC*. Corporate Responsibility, <http://www.tescocorporate.com/customers2.htm>;

The city of San Francisco has passed a law that requires all supermarkets operating in the city to use compostable plastic bags, Goodyear, Charlie. “City seeks to require compostable grocery bags,” *San Francisco Chronicle*, January 19, 2005, <http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2007/01/19/BAGE1NLGH51.DTL>.

241. For more information on other recommendation for waste, energy and related issues please refer to: Norman Baker MP 2004. How Green Is Your Supermarket? A Guide for Best Practice, [www.cix.co.uk/~normanbaker/downloads/Supermarkets%20Report%20Final%20Version.doc](http://www.cix.co.uk/~normanbaker/downloads/Supermarkets%20Report%20Final%20Version.doc);

*Friends of the Earth* U.K. 2006. Tesco’s Green Claims, June, [http://www.foe.co.uk/resource/media\\_briefing/tesco\\_agm\\_2006.pdf](http://www.foe.co.uk/resource/media_briefing/tesco_agm_2006.pdf).

242. The two display areas where customers are most likely to see products and make impulse-buys are located near the store entrance and near check out lines. In many supermarkets, these areas are stocked with unhealthy items like candy and soda. Tesco should consult with health and community groups on what healthy items it would be important to promote.

243. During a May 14, 2007 presentation at the California Endowment, Simon Uwins commented that in the United Kingdom “we took all confectionery away from our checkouts ... here in the United States we’ll be doing exactly the same thing.”

244. At the May 14, 2007 California Endowment meeting, Simon Uwins stated that Tesco’s store brands would not include added trans fats.

245. Simon Uwins also stated at the California Endowment meeting that Tesco did not believe in advertising to children. May 14, 2007.

246. Tesco states that it stocks “over 1200 competitively priced organic foods, from fruit and vegetables to meat, dairy and drinks.”

*Tesco PLC*. “Health,” [http://www.tesco.com/health/food/healthy\\_eating/tesco\\_food/organic.html](http://www.tesco.com/health/food/healthy_eating/tesco_food/organic.html).

247. In the U.K., Tesco has restricted genetically modified items since 1999.

Trader Joe’s eliminated GMOs from their house brands in 2002/03. *Private Label Buyer*, “Trader Joe’s to GMO’s: Go!,” January 01, 2002, [http://findarticles.com/p/articles/mi\\_hb251/is\\_200201/ai\\_hibm1G182476805](http://findarticles.com/p/articles/mi_hb251/is_200201/ai_hibm1G182476805).

248. In most low-income neighborhoods, fast food and take out restaurants abound, those offering healthy items on the menu are rare. This proliferation of fast food in urban America has contributed to an unhealthy food environment. As the pace of American life has sped up, grocery shoppers have increasingly turned to pre-cooked, prepared meals. Some supermarkets have taken the trend for pre-prepared meals to the next step by partnering with restaurant or food specialty item chains and hosting branded food kiosks inside the grocery store. This phenomenon was already underway by the early 1990s.

Price, Charlene. “Fast Food Chains Penetrate New Markets – Industry Overview,” *Food Review*, Jan-Apr 1993.

249. The buying practices of a large food retail company can also impact the rights and working conditions of the employees of companies and farms that supply a grocery store. For example, if a Wal-Mart uses its market power to cut prices, the supplier may put workers on longer shifts, cut wages, or scrimp on safety procedures to speed up production. Especially in industries like agriculture and food processing which rely on a low paid and often migrant workforce, these pressures can increase exploitative labor practices. To ensure that its supply chains do not expand unfair working conditions, Tesco should follow the lead set by anti-sweatshop codes of conduct in the garment care industry. With regards to both domestic and international procurement, Tesco/Fresh & Easy (as well as Wild Rocket Foods and the 2 Sisters Food Group) should be transparent about who its suppliers are and where they are located; should require that all subcontractors abide by basic worker rights practices; and should allow independent, third party monitoring of these commitments.

250. Tesco should also be fair in its dealing with suppliers so that workers do not face additional pressures. The U.K. government has promulgated a voluntary Supermarket Code of Practices which discourages large grocery chains from using their purchasing power to extort unreasonable concessions from suppliers. In addition a voluntary Ethical Trading Initiative identifies certain types of worker rights. Finally, the June 2007 shareholder resolution at the Tesco annual meeting also identified important standards to follow in relation to supply chain issues. A coalition of small businesses and small farmers, international development, environmental, and food access organizations is concerned that Tesco and its large competitors are not following any of these approaches and is petitioning the British government to make the code enforceable and adopt the shareholder resolution. Tesco’s U.S. operations should follow the letter and spirit of the shareholder resolution and allow third party monitoring of its contracting practices here.

251. By building a new system of international, national and regional distribution and warehousing, Tesco will be adding to an already overburdened goods transport infrastructure that is responsible for air pollution and related health impacts, traffic, and energy use. The port communities and the Inland Empire regions of Southern California are facing a public health crisis and sprawl from the growth of goods movement. Tesco’s distribution practices must minimize new stresses placed on ports, roads, rails, airports and communities. The company should design its distribution to minimize miles traveled, pollution, and noise. Facilities should not be sited in areas that already bear unfair toxic burdens and clean energy equipment and trucks should be used in place of diesel.

252. A 2006 survey of pork products for sale in U.K. food retailers found that Tesco labeled country of origins for 67% (20 out of 30) of pork items.

*British Pig Executive*, “PBEX Labelling Report: a review of the labeling of country of origin for pork and pork products,” June 2006, [http://www.bpex.org/technical/publications/pdf/BPEX\\_Label\\_Report06.pdf](http://www.bpex.org/technical/publications/pdf/BPEX_Label_Report06.pdf).

253. Fair trade items are grown and produced in a system that guarantees the farmers and workers who make them a fair percentage of the profits.

254. Tesco offers approximately 130 fair trade items in its U.K. stores.

*Tesco PLC*. “Fairtrade,” <http://www.tescocorporate.com/page.aspx?pointerid=245BE78B1CE5459FA4F138C81DA2A3E0>

255. According to personal communication with Simon Uwins, July 13, 2007, Fresh & Easy plans to sell beer, wine, and limited amounts of liquor in all stores.

256. A very concrete way of enhancing community development is for a business to contribute a fraction of its profits to a community benefits fund. Tesco has said that it would like to establish a policy of providing 1% of its net profits for a general grants policy and has given one such grant to a local environmental group in El Segundo involved in tree planting and advocacy.

Personal communication with Roberto Munoz, May 16, 2007; Tesco/Fresh & Easy should institutionalize such a fund with part of the proceeds directed to the neighborhood surrounding each store as well as a component for broader regional initiatives. Community groups or local residents should have a role in suggesting or determining how the funds are spent. The money can be used to pay for community programs and events, physical improvements to the neighborhood, and other needs.

257. Retail chains sometimes buy properties for future expansion or to prevent competitors from opening nearby. In many low-income neighborhoods there is already of lack of healthy food retail and other business opportunities.

258. Businesses that open in economically depressed areas can often qualify for tax breaks or other government incentive programs. Too often there is a lack of transparency and accountability so that the public cannot know if recipients are actually creating good jobs and investing in the community for the long term. If Tesco/Fresh & Easy accepts any subsidies or tax breaks it should release data

showing how many jobs have been created and the wages and benefits granted to employees. If the company subsequently closes a store that received subsidies then the subsidies should be 'clawed-back' and reimbursed to the government. See the model legislation for subsidy reform developed by Good Jobs First for detailed provisions. [http://www.goodjobsfirst.org/accountable\\_development/model\\_legislation.cfm](http://www.goodjobsfirst.org/accountable_development/model_legislation.cfm)

259. In the United States, as in the United Kingdom, concerns have been raised over the impacts of big box stores selling food items along with a range of other products. UEPI, "Thinking Outside the Big box: Food Access, Labor, Land Use and the Wal-Mart Way," November 2004; LAANE and Partnership for Working Families, "Wal-Mart and Beyond: The Battle for Good Jobs and Strong Communities in Urban America," January 2007. Companies like Wal-Mart and Tesco opening these stores on the urban edge have taken business away from smaller independent stores in downtown shopping districts. Consumers with cars may benefit but transit dependent lower-income residents may see local food stores struggle or close. To avoid reducing the number of places where people can buy healthy food, Tesco should not open big box superstores or hypermarkets that sell food in the United States.

260. According to personal communication with Simon Uwins, Tesco does not plan to introduce multiple formats such as hypermarkets to the U.S. but Uwins said "they would never say never", July 13, 2007.

261. Tesco has promised that route mapping will limit deliveries during school hours and along areas with major pedestrian traffic.

*Progressive Grocer*. "Tesco's Fresh & Easy Drives First 'Green' Fleet Tractor," May 23, 2007.



# Appendix

## Store Location Income and Poverty Level Data

Address:	City:	County/Metro Area	State:	Median Income (census tract)	Median Income (county)	% of county income	% under poverty line (CT)	% under poverty line (County)	Difference between tract and county poverty level %
Dysart Rd. & Thomas Rd. NEC	Avondale	Maricopa County	AZ	\$62,698	\$45,358	138.2%	3.15%	11.75%	-8.60%
107th Avenue & Thomas Road	Avondale	Maricopa County	AZ	\$53,575	\$45,358	118.1%	6.54%	11.75%	-5.21%
Avondale & Van Buren	Avondale	Maricopa County	AZ	\$53,575	\$45,358	118.1%	6.54%	11.75%	-5.21%
Dobson Rd. & Queen Creek Rd.	Chandler	Maricopa County	AZ	\$71,516	\$45,358	157.7%	1.91%	11.75%	-9.84%
S Arizona Ave & Chandler Heights Rd	Chandler	Maricopa County	AZ	\$63,826	\$45,358	140.7%	3.38%	11.75%	-8.37%
5805 W. Ray Rd. Pad A	Chandler	Maricopa County	AZ	\$72,169	\$45,358	159.1%	3.89%	11.75%	-7.86%
N. Alma School Rd.	Chandler	Maricopa County	AZ	\$44,474	\$45,358	98.1%	5.17%	11.75%	-6.58%
N Mcqueen Rd & E Chandler Blvd	Chandler	Maricopa County	AZ	\$44,906	\$45,358	99.0%	22.06%	11.75%	10.31%
Dysart Road & Greenway Road	El Mirage	Maricopa County	AZ	\$33,216	\$45,358	73.2%	16.70%	11.75%	4.95%
Higley Road & Ray Road	Gilbert	Maricopa County	AZ	\$67,923	\$45,358	149.7%	2.03%	11.75%	-9.72%
Greenfield Road & Warner Road	Gilbert	Maricopa County	AZ	\$70,662	\$45,358	155.8%	3.33%	11.75%	-8.41%
5802 W. Olive Ave	Glendale	Maricopa County	AZ	\$55,166	\$45,358	121.6%	7.75%	11.75%	-4.00%
2009 N. Stapley	Mesa	Maricopa County	AZ	\$83,743	\$45,358	184.6%	3.14%	11.75%	-8.61%
9950 E. Guadalupe	Mesa	Maricopa County	AZ	\$63,720	\$45,358	140.5%	4.11%	11.75%	-7.64%
5943 E. Brown Rd.	Mesa	Maricopa County	AZ	\$42,314	\$45,358	93.3%	5.97%	11.75%	-5.77%
1228 S. Sossaman Road	Mesa	Maricopa County	AZ	\$35,894	\$45,358	79.1%	6.75%	11.75%	-5.00%
9124 East Apache Trail	Mesa	Maricopa County	AZ	\$31,142	\$45,358	68.7%	15.64%	11.75%	3.89%
N Alma School Rd & W University Dr	Mesa	Maricopa County	AZ	\$26,971	\$45,358	59.5%	26.13%	11.75%	14.38%
3434 W. Greenway Road	Phoenix	Maricopa County	AZ	\$44,124	\$45,358	97.3%	5.18%	11.75%	-6.57%
3131 E. Greenway Road	Phoenix	Maricopa County	AZ	\$59,943	\$45,358	132.2%	6.47%	11.75%	-5.28%
7812 N. 12th Street	Phoenix	Maricopa County	AZ	\$50,020	\$45,358	110.3%	10.13%	11.75%	-1.62%
635 W. Indian School Road	Phoenix	Maricopa County	AZ	\$32,180	\$45,358	70.9%	13.16%	11.75%	1.41%
1960 W. Baseline Road	Phoenix	Maricopa County	AZ	\$47,012	\$45,358	103.6%	13.82%	11.75%	2.07%
1904 W. Glendale Avenue	Phoenix	Maricopa County	AZ	\$32,203	\$45,358	71.0%	18.37%	11.75%	6.62%
Gantzel Road & Ocotillo Road	Queen Creek	Maricopa County	AZ	\$42,930	\$45,358	94.6%	12.16%	11.75%	0.41%
Frank Lloyd Wright & Shay Blvd NEC	Scottsdale	Maricopa County	AZ	\$119,459	\$45,358	263.4%	3.71%	11.75%	-8.04%
John Wayne Parkway & Edison Road	Maricopa	Pinal County	AZ	\$33,477	\$35,858	93.4%	19.02%	16.91%	2.11%
133 E. Foothill Blvd	Arcadia	Los Angeles County	CA	\$74,773	\$42,189	177.2%	3.31%	17.91%	-14.61%
E. Alostia Ave & N. Citrus SWC	Azusa	Los Angeles County	CA	\$38,156	\$42,189	90.4%	21.72%	17.91%	3.81%
N. Grand Ave & Valley Blvd SWC	City of Industry	Los Angeles County	CA	\$66,756	\$42,189	158.2%	2.86%	17.91%	-15.05%
N Central Ave & W Rosecrans Ave NWC	Compton	Los Angeles County	CA	\$40,078	\$42,189	95.0%	19.50%	17.91%	1.59%
S Grand Ave & W Gladstone St	Glendora	Los Angeles County	CA	\$49,193	\$42,189	116.6%	7.32%	17.91%	-10.59%
Imperial Hwy & Santa Gertrudes Ave NWC	La Mirada	Los Angeles County	CA	\$80,316	\$42,189	190.4%	5.51%	17.91%	-12.40%

Address:	City:	County/Metro Area	State:	Median Income (census tract)	Median Income (county)	% of county income	% under poverty line (CT)	% under poverty line (County)	Difference between tract and county poverty level %
4930 Paramount Blvd.	Lakewood	Los Angeles County	CA	\$68,226	\$42,189	161.7%	5.79%	17.91%	-12.12%
5615 Woodruff Avenue	Lakewood	Los Angeles County	CA	\$58,892	\$42,189	139.6%	7.47%	17.91%	-10.44%
30th Street W and Ave K	Lancaster	Los Angeles County	CA	\$51,042	\$42,189	121.0%	10.83%	17.91%	-7.08%
20th St. E & E. Avenue J SEC	Lancaster	Los Angeles County	CA	\$42,672	\$42,189	101.1%	12.24%	17.91%	-5.67%
6436 E Spring Street	Long Beach	Los Angeles County	CA	\$69,111	\$42,189	163.8%	1.85%	17.91%	-16.06%
4211 Eagle Rock Blvd.	Los Angeles	Los Angeles County	CA	\$49,444	\$42,189	117.2%	10.92%	17.91%	-6.99%
7021 Hollywood Blvd, Suite 110	Los Angeles	Los Angeles County	CA	\$27,872	\$42,189	66.1%	18.68%	17.91%	0.77%
Adams and Central	Los Angeles	Los Angeles County	CA	\$25,467	\$42,189	60.4%	37.47%	17.91%	19.56%
Redondo Ave & Rosecrans Ave	Manhattan Beach	Los Angeles County	CA	\$90,000	\$42,189	213.3%	5.49%	17.91%	-12.42%
Rosecrans & Studebaker Rd SWC	Norwalk	Los Angeles County	CA	\$51,757	\$42,189	122.7%	9.61%	17.91%	-8.30%
8909 Washington Blvd. 90660	Pico Rivera	Los Angeles County	CA	\$45,493	\$42,189	107.8%	12.74%	17.91%	-5.17%
E Bonita & San Dimas Canyon Rd	San Dimas	Los Angeles County	CA	\$54,856	\$42,189	130.0%	8.47%	17.91%	-9.44%
1000 W. West Covina Pkwy	West Covina	Los Angeles County	CA	\$49,452	\$42,189	117.2%	11.79%	17.91%	-6.12%
3170 W. Lincoln Ave, Ste. 100	Anaheim	Orange County	CA	\$45,046	\$58,820	76.6%	11.34%	10.33%	1.02%
LaPalma & Valley View NEC	Buena Park	Orange County	CA	\$63,031	\$58,820	107.2%	5.38%	10.33%	-4.95%
Euclid Street & Orangethorpe Avenue	Fullerton	Orange County	CA	\$44,844	\$58,820	76.2%	13.41%	10.33%	3.09%
Beach Blvd & Terry Dr. NEC	Huntington Beach	Orange County	CA	\$63,969	\$58,820	108.8%	11.65%	10.33%	1.33%
23719 Moulton Pkwy	Laguna Hills	Orange County	CA	\$62,422	\$58,820	106.1%	4.26%	10.33%	-6.06%
W. Chapman Ave & S. Main St SWC	Orange	Orange County	CA	\$49,542	\$58,820	84.2%	7.15%	10.33%	-3.17%
Van Buren & Avenue 50	Coachella	Riverside County	CA	\$40,690	\$42,887	94.9%	13.33%	14.17%	-0.83%
W Florida Ave & N Lyon Ave	Hemet	Riverside County	CA	\$17,828	\$42,887	41.6%	34.18%	14.17%	20.01%
Jackson St & Generations Dr	Indio	Riverside County	CA	\$30,330	\$42,887	70.7%	27.94%	14.17%	13.77%
Jefferson & Fred Waring	La Quinta	Riverside County	CA	\$61,667	\$42,887	143.8%	4.97%	14.17%	-9.20%
Frederick St. & Cottonwood Ave SWC	Moreno Valley	Riverside County	CA	\$35,361	\$42,887	82.5%	11.88%	14.17%	-2.28%
Perris Ave & Iris Ave SEC	Moreno Valley	Riverside County	CA	\$49,879	\$42,887	116.3%	13.53%	14.17%	-0.64%
Alessandro Blvd & Perris Blvd	Moreno Valley	Riverside County	CA	\$42,472	\$42,887	99.0%	24.31%	14.17%	10.14%
Margarita Rd & Murrieta Hot Springs Rd	Murietta	Riverside County	CA	\$50,706	\$42,887	118.2%	10.94%	14.17%	-3.22%
Trautwein Rd & Bountiful St. SWC	Riverside	Riverside County	CA	\$72,057	\$42,887	168.0%	3.18%	14.17%	-10.99%
Arlington Ave & Madison St	Riverside	Riverside County	CA	\$37,256	\$42,887	86.9%	12.23%	14.17%	-1.93%

Address:	City:	County/Metro Area	State:	Median Income (census tract)	Median Income (county)	% of county income	% under poverty line (CT)	% under poverty line (County)	Difference between tract and county poverty level %
W Esplanade Ave & S Sanderson Ave	San Jacinto	Riverside County	CA	\$32,880	\$42,887	76.7%	3.99%	14.17%	-10.18%
Baseline Avenue & Citrus Avenue SWC	Fontana	San Bernardino County	CA	\$57,214	\$42,066	136.0%	7.77%	15.84%	-8.07%
Greenspot Rd & Boulder Ave	Highland	San Bernardino County	CA	\$35,871	\$42,066	85.3%	19.34%	15.84%	3.50%
N. Riverside Ave & E. Highland Ave NEC	Rialto	San Bernardino County	CA	\$43,788	\$42,066	104.1%	18.53%	15.84%	2.68%
N. Cedar Ave & W. Foothill Blvd NEC	Rialto	San Bernardino County	CA	\$37,159	\$42,066	88.3%	19.15%	15.84%	3.30%
Foothill Blvd & N Pepper Ave	Rialto	San Bernardino County	CA	\$36,652	\$42,066	87.1%	19.35%	15.84%	3.51%
W. 8th Street & S. Mountain Avenue NEC	Upland	San Bernardino County	CA	\$36,742	\$42,066	87.3%	16.70%	15.84%	0.86%
W. Foothill Blvd & N. San Antonio Ave NWC	Upland	San Bernardino County	CA	\$31,204	\$42,066	74.2%	18.45%	15.84%	2.60%
El Evado Rd. & Palmdale Rd.	Victorville	San Bernardino County	CA	\$28,504	\$42,066	67.8%	25.34%	15.84%	9.50%
Oak Glen & Yucaipa SWC	Yucaipa	San Bernardino County	CA	\$39,354	\$42,066	93.6%	12.42%	15.84%	-3.43%
Campo Rd & Kenwood Dr	Casa de Oro	San Diego County	CA	\$40,509	\$47,067	86.1%	10.18%	12.43%	-2.25%
865 E H ST	Chula Vista	San Diego County	CA	\$68,250	\$47,067	145.0%	5.20%	12.43%	-7.23%
E. Valley Pkwy & N. Ash Street NWC	Escondido	San Diego County	CA	\$30,507	\$47,067	64.8%	26.84%	12.43%	14.41%
1101 S. Main Avenue	Fallbrook	San Diego County	CA	\$36,076	\$47,067	76.6%	19.83%	12.43%	7.40%
955 Catalina Blvd.	Point Loma	San Diego County	CA	\$63,235	\$47,067	134.4%	5.75%	12.43%	-6.68%
8766 Navajo Rd	San Diego	San Diego County	CA	\$64,750	\$47,067	137.6%	4.65%	12.43%	-7.78%
945 E. Vista Way	Vista	San Diego County	CA	\$41,929	\$47,067	89.1%	13.73%	12.43%	1.30%
144 W Los Angeles Ave STE	Moorpark	Ventura County	CA	\$55,580	\$59,666	93.2%	12.97%	9.23%	3.73%
1940 Newbury Rd	Newbury Park	Ventura County	CA	\$90,163	\$59,666	151.1%	7.14%	9.23%	-2.09%
Alamo St & Tapo St.	Simi Valley	Ventura County	CA	\$68,443	\$59,666	114.7%	8.10%	9.23%	-1.13%
Wendy Dr. & Old Conejo Rd. NWC	Thousand Oaks	Ventura County	CA	\$70,706	\$59,666	118.5%	3.12%	9.23%	-6.11%
Horizon Ridge Pkwy. and Green Valley Pkwy.	Henderson	Clark County	NV	\$57,329	\$44,616	128.5%	2.37%	11.37%	-9.00%
1400 S. Boulder Highway	Henderson	Clark County	NV	\$62,205	\$44,616	139.4%	3.12%	11.37%	-8.25%
1620 West Sunset Road	Henderson	Clark County	NV	\$50,542	\$44,616	113.3%	5.19%	11.37%	-6.18%
7380 S. Eastern Avenue #109-B	Las Vegas	Clark County	NV	\$51,786	\$44,616	116.1%	3.37%	11.37%	-8.00%
Cheyenne Ave. and Martin Luther King Blvd.	Las Vegas	Clark County	NV	\$54,965	\$44,616	123.2%	3.92%	11.37%	-7.45%
8650 W. Tropicana Avenue	Las Vegas	Clark County	NV	\$52,162	\$44,616	116.9%	4.24%	11.37%	-7.13%

Address:	City:	County/Metro Area	State:	Median Income (census tract)	Median Income (county)	% of county income	% under poverty line (CT)	% under poverty line (County)	Difference between tract and county poverty level %
Fort Apache Rd. and Desert Inn Rd.	Las Vegas	Clark County	NV	\$59,628	\$44,616	133.6%	4.54%	11.37%	-6.83%
Ann Rd. and Decatur Blvd.	Las Vegas	Clark County	NV	\$58,304	\$44,616	130.7%	4.59%	11.37%	-6.77%
467 E. Silverado Ranch Blvd	Las Vegas	Clark County	NV	\$45,625	\$44,616	102.3%	5.36%	11.37%	-6.01%
Lake Mead Blvd. and Del Webb Blvd.	Las Vegas	Clark County	NV	\$33,952	\$44,616	76.1%	5.37%	11.37%	-6.00%
Centennial Pkwy. and Simmons St.	Las Vegas	Clark County	NV	\$54,107	\$44,616	121.3%	6.88%	11.37%	-4.48%
Cheyenne Ave. and Jones Blvd.	Las Vegas	Clark County	NV	\$48,026	\$44,616	107.6%	8.25%	11.37%	-3.12%
Stewart Ave. and Nellis Blvd.	Las Vegas	Clark County	NV	\$40,753	\$44,616	91.3%	10.55%	11.37%	-0.82%
6105 W. Tropicana Avenue	Las Vegas	Clark County	NV	\$37,629	\$44,616	84.3%	12.71%	11.37%	1.34%
3186 S. Nellis Blvd.	Las Vegas	Clark County	NV	\$39,721	\$44,616	89.0%	12.80%	11.37%	1.43%

A report of the  
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