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# Tesco to launch smartphone

By Andrea Felsted and Sally Davies Author alerts



Tesco is poised to launch a smartphone towards the end of this year, building on its low-cost tablet, as it seeks to turn round its UK business and fight back against digital rivals.

The smartphone will come pre-installed with Tesco software, chief executive Philip Clarke told the BBC. The technical specifications are understood to be similar to Samsung's Galaxy S5.

Tesco is expected to set the price as low as possible but to try to make money from higher-margin services it can sell via the device, such as its Blinkbox video-streaming offering.

The smartphone launch follows the unveiling of the Hudl, a low-cost tablet, in September. This aimed to bring tablets to customers who could not afford a more expensive model, and tie customers in to Tesco-branded services.

But some City analysts attacked the phone plan, urging the retailer to fix its core UK supermarket business before branching out into fresh ventures.

"Until Tesco stabilises the performance of its supermarkets in Britain, everything else it does is going to be a sideshow," said Clive Black, analyst at Shore Capital.

Tesco's UK underlying sales are falling, a string of senior executives have departed, and its shares are close to a decade low.

"The chief executive should spend his time fixing the core UK business," said Bruno Monteyne, analyst at Bernstein.

He said a smartphone would make little difference to Tesco's problem of reconnecting with shoppers as a provider of quality food at competitive prices.

"Ultimately the core of Tesco was a value retailer trusted by the little man. A smartphone is not going to make him think 'this is a retailer I trust to be there for me'. Tesco needs to rebuild the core brand, and then a smartphone may work," he said.

Mr Black said until Tesco tackled the weaknesses in its core businesses, particularly its pricing amid an escalating price war, then "smartphones and Hudls pale into insignificance".

Francisco Jeronimo, analyst at technology research group IDC, said Tesco was likely to price the phone between £100 and £150, although he speculated that it could eventually provide the phone for free if bundled with other arrangements such as a minimum grocery spend.

Tesco did not reveal how much it would spend on the phone, or who would make it. France's Archos, which manufactures the Hudl, is a contender.

The Hudl was the UK's best-selling tablet in the last three months of 2013, with customers snapping up 400,000 units – more than Apple's iPad Air, according to IDC.

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