

# An introduction about aldi commerce essay



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The reason of this assignment, analysis the Porter's five forces and value chain and explain how information technology affects the business (base of Porters five forces and value chain) of ALDI. ALDI is a known retail shop in UK, actually it a Germany base business organisation, its one of a medium size grocery related chain shop in UK, lat few years they are doing business in UK. Michel Porter has written difference view how do IT helps an organisation to achieve their goal and provide better service for customer, the activities what is doing by an organisation is influenced by IT, IT helping any business organisation to complete their work properly and gaining profit easily, Information technology lead an organisation to achieve the final goals of it, information technology is combine of computer base work, study, development and application, which helps an organisation to analysis the performance of it, by using Information an organisation can understand how should its go ahead for next step, in below I am discussing how analyzed the Porters five forces in ALDI and how they effects on the activities of ALDI, and the way how IT helps an organisation (ALDI) to improve and achieve its goal.

## 02. An introduction about ALDI

ALDI is the short form of Albrecht Discount. It's a global discount supermarket chain based in Germany. ALDI working in UK as a medium type of supermarket. The main product of ALDI is daily necessary household product, dairy food, vegetable , alcoholic product like wine , beer , whisky etc . ALDI also selling difference type of dress for male, female and kids.

ALDI is selling retail product, founded at 1913, founder Karl Albrecht and Theo Albrecht. The head office of ALDI is in Essen, Germany. Mathew Barness is CEO of UK operation.

### 03. Competitors of ALDI

Local superstore

Off licence

Iceland

Wait rose

Even TESCO, Sainsbury, ASDA also competitors of ALDI.

### 04. Porter's five forces

Porter finds out five things that work together to change the work of a competitor in a business organisation (Michel E Porter-2003). Those all are-

Threat of a new entrance

Bargaining power of supplier

Bargaining power of customer (buyer)

Threat of substitute product

Degree of competitive rivalry

All of those forces are very important to analysis any business organisation, threat of new entrance, supplier bargaining power, customer bargaining

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power , substituted product, competitive rivalry all of these effect any business organisation, in below I am analysing those forces on ALDI and showing how IT helps ALDI to maintain and overcome those factors and go ahead to its goal.

#### 04. 1. Threat of the new entrance:

ALDI is familiar retail shop, but there are some reasons which create the threat of new entrance.

Because of economic reason ALDI need to give lower price in difference product but it's not profitable. For new entrance it's complicated to achieve goal to sell product in lower price.

Selling product within lower price decrease the profit of an organisation and make it more difficult to achieve goal (Mahdi Khosropour-2000), as a result sale of lower price can be a risk for ALDI.

Access to supply and distribution is easy but sell is not high by new entrance.

Product could be sale in same price in difference store and ALDI but product are same in food retail industry so loyalty of customer is low.

In these cases new entrance could be a threat for ALDI.

But most of the customer of UK is brand conscious, sometimes customer care brand more than price and ALDI have some of attractive product which attract the customer and attract them to ALDI.

#### 04. 2. Bargaining power of supplier:

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This force indicates the power of supplier which can effect by the large grocery chain and fear the risk of large supermarket.

As their have lots of small supplier of product all over the UK so the bargaining power of the supplier is fairly low for ALDI.

As their have lots of supplier in market so any supplier don't want to lose their business contract with a supermarket like ALDI, as a result ALDI getting

Good product within reasonable price.

04. 3. Bargaining power of buyers:

Customers are always careful about price and their bargaining power is too high in market, their have lots of opportunity to chose the right product on reasonable price (Edward J. szewczak. coral R Snudgrass-2002).

Porter said that the more product that become standardized or undifferentiated, the lower the switching cost and hence more power is yielded to buyers. (Porter M 1980)

Their have (in market) lots of competitor of ALDI where slight difference of and more standardised as the switching cost is low so buyer can move another brand too easily.

To convince the customer ALDI is giving difference types of promotional offer.

ALDI photo voucher

Voucher code

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ALDI discount code

Promotional code

These all are to convince customer as the bargaining power of buyers are high.

04. 4. Threat of substituted product:

Threat of substituted is really very high for ALDI, the large supermarket like TESCO, Sainsbury, ASDA, Morison they all are bringing same product at market so customer can be more attractive to them.

If ALDI give the low price for substituted product may be their sell will increase but their have a risk of lose, as gaining profit is the main purpose of a business that why substituted product is being a threat of ALDI.

04. 5. Threat of new competitor:

The threat of new competitor is nearly very low in food retail industry. Where lots of organisations are already doing business a new organisation can't achieve their goal easily (Dan Davis-2005) for a new retail industry its need a huge investment beside major brand like TESCO, Sainsbury, ASDA, and Morison already captured the market. In these view threat of new entry is low for ALDI.

05. How information technology effect on Porters five forces on ALDI

Information technology is a combine of study, development, application, implementation and support of computer based system. Information

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technology is using each and every business organisation to achieve their goal easily and completely (Kathy Schwalbe-2010)

ALDI is using information technology for its business purpose.

In bellow I am explaining how information technology effect on ALDI (Porters five forces)

Because of information technology all information is being spread to all over the world, as a result when ALDI was in new position at market IT helps it to provide information to all customer so on beginning ALDI got help from IT.

Every business is being face with their supplier, IT helps ALDI to minimise the bargaining power of supplier, how do ALDI will best product in reasonable price and from where IT can gather knowledge very easily from difference source of internet, so bargaining power of supplier decrees because of information technology.

On the other hand, because of information technology bargaining power of buyer is being high, customers are being able to know about product too easily, customers can collect knowledge from difference source of IT like internet, advertisement of difference media like TV, magazine and newspaper.

To minimise the bargaining power of customer ALDI also getting helps

From IT, ALDI is providing its promotional information to customer by advertising in difference way which is the part of IT.

When any chain grocery market launch any new product on market ALDI take these information and try to create same category product as a result ALDI can survive itself with a new product.

ALDI is an established chain shop, ALDI don't have too much threat of new competitors, when its face the threat of new competitors IT can help ALDI to reduce these threat.

## 06. Value Chain

To provide the best customer every business doing the value chain analysis, Michel Porter introduce value chain analysis on business organisation, inbound logistic, operation, outbound logistic, marketing and sales, services, infrastructure, HR, technological development, procurement those all are included in value chain. (Michel Porter-1985). In below I am showing value chain as activities of an organisation.

### 06. 1. Activities of ALDI

Activities means the work of any organisation, business activities means the business related work for any business organisation. Business activities helps any business improve their profit, how good a business doing is depends on the activities of those business (Kathy Schwalbe-2010), so improve any business, business need to be more active and conscious about the business activities, their have two difference part of any retail business activities, so we can define the activities of ALDI in two parts, those ares-

Primary activity



## Secondary activity

### 06. 1. 1. Primary Activities:

Primary activities means the primary work of any organisation, a business organisation is doing their primary activities to collect product from supplier, payment of supplier. Bring product to store, store product to warehouse, and decorate the product to shop floor, marketing of product, sales and delivery of product those all are part of primary activities. To make easy the business activities every business organisation is doing their primary activities in two ways, which helps any business to complete their activities easily (Carroll W. Frenzel Jonn C. Frenzel-2004)

ALDI is doing their primary activities in two ways-

Inbound logistic

Outbound logistic

Product which are use for sale -receive, store and disseminating process of those product is called logistic.

Inbound logistic:

The process of a business organisation collect product (product for sale) is called inbound logistic.

The way ALDI is doing their inbound logistic those are-

Every business need to order to their supplier for the product, that's the first work of inbound logistic, that's the first step of getting product , in these stage ALDI orders to their suppliers for product

When ALDI orders to supplier, supplier approves the order and send product to the difference store of ALDI

To get right product in right ALDI do kitting and sequencing

For quality control ALDI is doing inspection, replying and differencing

ALDI manage a good relationship and cash flow with supplier by vendor

And managed inventory

When all the process become finish ALDI store the product in their warehouse

Outbound Logistic:

Gaining profit is the main purpose of any business organisation, without profit a business can't run their business, to achieve profit business need to provide service or product or to customer(Mahdi Khosrowpour-2000). The process of a business organisation to distribute the product or service to customer is called outbound logistic.

Process of outbound logistic in ALDI: ALDI follow a process for its outbound Logistic,

Marketing

Sale

Delivery

Marketing: The way business give knowledge to customer about their product is called marketing, to attract the people about people business need to do marketing about product.

Their have lots of way to do marketing, giving advertisement to difference media like newspaper, TV, magazine, talk to customer directly those all are way of marketing.

To achieve any business you need to make aware about your product to customer, ALDI is making aware customer about their product by giving advertisement on difference media like newspaper, TV and magazine.

Sale: Sale is the one of major function of business (Dan Davis-2005), without sale a business can't earn profit.

The way ALDI sale their product it's as usual like any other retail shop, customer visit the shop and chose product, pay bill on till, ALDI also take phone reservation for special buys.

Delivery: Delivery the product to customer is the final part of outbound logistic, when customer chose any product and collect these product from shop floor and pay money on till product is ready for customer, if customer make a reservation for special buy, they have to be collect product from shop. In here I want to highlight that ALDI don't do home delivery.

06. 1. 2. Secondary Activities:

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Procurement, technology development, human Resource, IT infrastructure those all are part of secondary activities (Michel E porter-2003)

Procurement:

Procurement is a process of buying services and products, in this process preparation, processing, demand, receipt, payment approval all are included.

In below in am showing the include process of procurement for ALDI

To improve the business policy of ALDI, it's following a procurement process, those all are-

To buy product from supplier ALDI make a plan for parching

ALDI do standards of plan as its can buy best product within reasonable price

Development of specification

To get right product ALDI research about supplier, after research its prefer the best supplier for collecting product and select the best supplier for product

Analysis of value

After analysis value ALDI find out the source of finance

Negotiation of price

In these stage ALDI make decision to do final purchase

Contract to the administration is the next procurement process after final purchase

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ALDI control the inventory and store product

After all of these processes as a final stage ALDI do disposals and related function of disposals.

Technology Development:

Technology development is research and development and the use of research and development, research of a product help to improve the quality of product, by researching its possible to develop the quality of product (Ronald Zigili-1992)

ALDI is doing research with the product and service and developing new product, when any other retail shop bring a new product to market ALDI research those product and develop a better product and lunch it to market as result sales increase.

Technology development helping ALDI to gain the aim of ALDI, increasing sale is the most effective way to earn profit (Edward J. Szewczak. Coral R Snodgrass-2002) as sale is increasing because of technology development ALDI is gaining profit easily.

Human Resource:

Human resource or manpower is the main driving power for an organisation; organisation can't do anything without human resource (Edward J. Szewczak. Coral R Snodgrass-2002). Human resource means the human power who is working with an organisation, technologies supporting us in every way of life,

but human have to be manage the technology, without human resource technology can't do anything.

For business purpose ALDI is recruiting human resource from difference sector, for managerial level to shop floor member. A huge number of people working for ALDI, after requite a stuff ALDI trained the stuff for better service, people who is directly related with customer service they can provide better customer service by getting training , managerial level people also getting training for better service .

ALDI is selecting best people for its business organisation, to recruit best people ALDI is following the recruiting process, when ALDI need any stuff, they advertise on their website and collect the application from candidate , its select the best candidate , after selection candidate need to face on interview, ALDI select the best candidate by interview and see all the quality of candidates, are they qualify for work or not, by doing all of these process ALDI is bringing best people for services.

Overall, it's clear that the people who is working with ALDI they are the best qualify and giving best service for organisation.

Infrastructure:

Infrastructure is combine of people, technology, system, procedures, policies, processes and intellectual property, all of these elements are co-related with each others.

ALDI is maintaining a good relation with those chains as a result it's being able to maintain a better organisation infrastructure. The stuff of ALDI is <https://assignbuster.com/an-introduction-about-aldi-commerce-essay/>

maintaining the chain of command so it's being able to provide better service for customer and gaining profit easily.

#### 07. How information technology effect on value chain of ALDI

Today world is world of technology, any person or any business organisation cant do anything properly without help of technology and information technology, as ALDI is an business organisation its cant do anything without use of information technology.

Firstly, Information technology influence the primary activities of ALDI, inbound logistic to outbound logistic all of these process are being success properly because of information technology , information technology helps ALDI to collect products for supplier, online order to supplier, granted order by supplier, sending process(transportation) those all are being done easily because of information technology

Information technology working like blood circulation in business word, now days any business can't think about their business without help of information technology (Gerge Reynolds-2009).

ALDI is doing marketing using advertisement of difference media like newspaper, website, TV magazine those all are part of information technology.

Information technology is helping ALDI to develop their sale, attract customer by giving difference type of advertisement is increasing sale of ALDI, customer want to collect their product as early as they need, giving phone reservation to ALDI store is making easy for customer buying product

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and when they come to the store, ALDI deliver their product by checking phone reservation, which are the part of information technology

Considering all of those issues, I can say that information technology influencing the primary activities of ALDI.

Secondly, information technology is helping ALDI to make a better procurement process and all the process are being done by using of information technology , for technology development, research and develop a new product IT helps it to collect information from difference sources , manage and recruit human resource, maintaining IT infrastructure all are being possible by using of information technology.

#### 08. Conclusion:

Today is day of information technology; information technology is affecting every step of life. Information technology is effecting the every business and every organisation, from the above we can see that how information technology influenced the business of ALDI, its also showing the how information technology helping ALDI ho to work in every step of business and how to overcome the risk of business, within less business how to achieve maximum goal of business, all of those policy are described on above.